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International Assignment Services

Taxation of International Assignees

Country – Switzerland

Human Resource Services

International Assignment Taxation Folio

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Introduction – International assignees working in Switzerland

This folio has been prepared to provide foreign nationals who qualify as Swiss residents for tax purposes with a general background to Swiss individual income tax.

This folio is not intended as a comprehensive or exhaustive study of Swiss tax law but should help foreign nationals to understand their tax status before and during their period of residence in Switzerland. Please note that this is not a guide to completing Swiss income tax returns.

The folio reflects tax law and practice in Switzerland as at January 2011. Information on tax rates and allowances has been kept to a minimum because they not only vary from year to year but also from one Swiss canton (state) to another.

Last updated: January 2011	
This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.	**Menu**

Step 1 – Understanding basic principles

The scope of taxation in Switzerland

1. A foreign national working in Switzerland will in general become liable to Swiss taxation either as a resident or as a nonresident. The main taxes are personal income tax ('Einkommenssteuer', 'impôt sur le revenu', 'imposta sul reddito') and wealth tax ('Vermögenssteuer', 'impôt sur la fortune', 'imposta sulla sostanza') which are levied on worldwide net income and net wealth if a person is resident in Switzerland. Taxation may be limited to Swiss source income if a person is tax nonresident in Switzerland, and other worldwide income is exempted but taken into consideration to calculate the applicable Swiss tax rate (exemption with progression).

2. Other taxes with which a foreign national resident in Switzerland could be concerned are capital gains tax levied on the disposal of property in Switzerland, inheritance tax, gift tax, and church tax (See Step 8).

Federal and cantonal taxes

3. Switzerland is a confederation that is divided into 26 cantons. Each canton determines its own tax legislation and sets its own tax rates. As a result, each Swiss income taxpayer is subject to at least two different tax laws: direct federal tax ('Direkte Bundessteuer', 'impôt fédéral direct', 'imposta federale') and cantonal tax ('Kantonssteuer' or 'Staatssteuer', 'impôt cantonal', 'imposta cantonale'). The communities also set their own tax rates and raise their community tax usually by adding a supplement to the cantonal tax.

4. Income for federal tax is normally reported in the cantonal tax return or in an appendix, so that it is not necessary to file two tax returns. The cantonal tax authorities assess and collect federal tax.

The tax year and basis of assessment

5. The tax year corresponds with the calendar year and tax returns have to be filed every year. All cantons and the confederation now assess taxes on a current year basis.

Methods of calculating tax

6. What is considered as taxable income as well as the applicable tax rates are not the same for federal tax and cantonal tax purposes. However both federal and cantonal tax rates are progressive rather than banded. In effect each income level has its own federal, cantonal, and community tax rates.

7. Federal tax starts at a taxable income of CHF 14’000 if single, or CHF 27’000 if married. The maximum effective federal income tax rate is 11.5%. The cantons and communities fix their tax rates autonomously depending on their financial needs. As a result, the cantonal and communal income taxes can vary significantly. The maximum average tax rate including federal, cantonal, and community taxes varies between approximately 18% and 45%.

8. Swiss tax residents normally have to file their own tax return from the age of eighteen, unless they earn employment income before that age.

Husband and wife

9. Married couples living together are obliged to file a joint tax return reporting their worldwide income and assets and usually also that of their dependent children. Filing a separate tax return is only possible in certain circumstances if the couple is living apart. Normally income is not split between spouses in determining the tax rate.

   However, special rates apply for married couples. The concept of income splitting between spouses is currently in debate and some cantons already apply this system.

Determination of residence

10. Foreign nationals working in Switzerland are normally considered to be resident, and therefore subject to Swiss income and wealth tax on worldwide income and wealth:

    – If they intend to stay permanently in Switzerland;

    – If Switzerland is the centre of their personal and economic interests;

    – If they take up employment for a period of more than 30 consecutive days in Switzerland.

11. If a foreign national working in Switzerland is deemed to be resident in both Switzerland and their home country, reference should be made to the relevant double taxation agreement between Switzerland and the other country to determine the country which is entitled to claim unlimited tax liability. If the other country does not have a double taxation agreement with Switzerland then some income may be taxed in both countries. (See Appendix E for the countries with which Switzerland has a double taxation agreement).

12. Most tax agreements signed by Switzerland consider the following criteria to be relevant in determining the place of residence:

    – Personal and economic relations (centre of vital interests);

    – Permanent home;

    – Habitual abode;

    – Nationality.

    Tax agreements also include provisions exempting income from Swiss tax in cases where the duration of stay is less than 183 days within a tax year or within any 12-month period, depending on the applicable tax agreement. Normally other conditions will also need to be fulfilled in order to qualify for this exemption (see paragraph 36 below).

13. For people who are resident in one of the neighboring countries (Germany, Italy, France, and Liechtenstein) and who commute on a daily basis to work in Switzerland, special rules are applicable and are set out in the respective double tax agreements.

Step 2 – Understanding the Swiss tax system

The Swiss tax system

14. Foreign employees resident in Switzerland are basically subject to the same taxation rules as Swiss employees. Most cantons, however, have introduced a tax-at-source/tax withholding system for foreign employees instead of, or in addition to, an ordinary assessment based on a Swiss tax return. An employer is obliged to deduct income tax directly from the monthly gross salary payments in accordance with tax tables issued by the cantonal tax authorities, covering federal, cantonal, and community taxes. Specific details of this taxation procedure differ from canton to canton. Further information is given about tax at source in the cantons of Zurich, Geneva, and Basel-City in Appendices A, B, and C respectively. The tax withheld at source will be credited against the effective tax liability based on the tax return filed.

Taxable income

15. Swiss income tax is levied on worldwide income including income from:

- Employment;
- Self-employment;
- Immovable property (real estate, etc.);
- Movable property (interests, dividends, royalties, etc.);
- Capital gains insofar as they are realized by a taxpayer who is liable as a commercial security trader;
- Lottery gains.

All income from the above and any other sources is added together to determine the applicable income tax rates.

Taxation of employment income

16. Employment income is widely defined and includes all benefits originating from an employment contract, whether in cash or in kind. In addition to salary, taxable employment income includes bonuses, commissions, overseas adjustments, cost of living allowances, tax reimbursements, the private use of a company car, housing allowances, etc. The following points concerning additional elements of a compensation package should be noted:

- As well as Swiss salary, any compensation received for work carried out abroad is also taxable. There may be exceptions to this based on an applicable double taxation agreement;
- Income received from a profit sharing scheme such as a bonus is fully taxable if it relates fully to Swiss work duties. If entitlement to payment is deferred, then the bonus will be taxed in the year in which an employee is entitled to receive it;
- Removal costs are usually considered as taxable income (with possible exceptions);
- School fees for children are considered as taxable income (with possible exceptions);
- Reimbursement of the costs of home leave is considered taxable income unless the home leave is in connection with a business trip;

– The free use of a company car for private purposes is considered as a taxable benefit. The value of this benefit is subject to cantonal variation but is, in many cantons, fixed at a monthly amount of 0.8% of the purchase price of the car (minimum CHF 150 per month);

– Income from employee share and stock option plans needs to be looked at on a case by case basis in order that the tax implications can be assessed. They are often subject to a special ruling agreed with the cantonal tax authorities.

General rule for Swiss taxation of options

17. Generally, options can be taxed at grant, at vesting or at exercise. In Switzerland, in the majority of cases the options are taxed at exercise, provided that some conditions regarding forfeiture rules are met.

Swiss taxation of imported options

18. Based on national practice, Switzerland has the right to fully tax the gain at exercise if the individual is Swiss tax resident at exercise. Nevertheless, there is scope that the Swiss tax liability will be assessed only on a pro rated amount. If the options were granted to you when you were tax resident abroad, it may be possible to allocate part of the income abroad by arguing that it was earned for work performed outside of Switzerland (pro rata allocation).

19. According to the OECD recommendation the income from the options is to be allocated to the countries of activity, whereby the period from grant until vesting should be considered. This pro rata allocation could be done in the individual tax return, where you would exempt the income relating to work abroad (i.e. the Swiss portion would be calculated on the basis of the days spent in Switzerland from the date of arrival in Switzerland to the end of the vesting period).

20. Please note that for imported options the pro rata approach has been confirmed by some tax authorities. Nevertheless, there is no guarantee that the pro rata approach will be accepted by the tax authorities and there remains the risk that the tax inspector in charge of the tax return will challenge this position. Furthermore, the tax authorities may want to consider the whole benefit for the determination of the tax rate applicable for the portion allocated to Switzerland (i.e. exemption with progression).

21. Please note that the tax practice of the Canton of Geneva still differs from the above rules. Usually, and subject to a ruling, only the options taxable during the Swiss assignment are taxable either at exercise or at departure date on the spread.

Due to the complexity of stock option plans we recommend that you provide a copy of your stock option plan to your tax advisor for an analysis of the tax implications at your earliest opportunity.

Taxation of self-employment income

22. Profits or gains from trades, professions or vocations carried out in Switzerland are subject to tax whether an individual is resident or not. If an individual is resident in Switzerland, then a liability may also arise on profits or gains from trades, etc., carried out abroad unless a double tax agreement provides otherwise. Professional advice should be taken at your earliest opportunity.

Taxation of investment income

23. Income from Swiss and foreign securities is taxable income (unless it is a private capital gain) and is subject to taxation at the applicable tax rates. Investment income from Swiss sources such as dividends, interest on bank accounts and bonds as well as income from shares in investment funds is also subject to a 35% withholding tax. If you file a Swiss tax return, this withholding tax is credited against the Swiss tax liability assessed on the income declared in the Swiss tax return.

24. Income from foreign investments may be liable to foreign tax. If a double taxation agreement exists, then this will determine the amount of tax the source country can impose and the method of avoiding double taxation of this income.

Taxation of rental income

25. Income from real estate located in Switzerland is subject to Swiss taxation at the applicable tax rate. In the case of an owner-occupied house or flat, a theoretical rental income is assumed. In other words, owner occupied real estate is deemed to generate income (deemed rental income). Expenses for maintenance of real estate; either the actual amounts invoiced in the tax year, or a standard allowance, which is determined by the canton where the property is located (e.g. 20% of gross actual or deemed income) can be deducted from the actual or deemed rental income. Depreciation cannot be taken into account, but mortgage interest can (See point 27). Any losses arising from rental income can be off set against other available income.

26. Foreign employees often own properties abroad, which they rent out during their stay in Switzerland. Foreign rental income is exempt with progression in Switzerland. Therefore the actual or a deemed rental income (normally based on the market value of the property) and any maintenance and repair costs will need to be declared in the Swiss tax return to determine the applicable tax rate. Although any net gain will be exempt from Swiss tax and any net loss cannot be offset against other income, such gains or losses may increase or reduce the tax rate applicable to income taxable in Switzerland.

Deductions and personal allowances

27. In order to determine taxable income, mandatory social security and company pension contributions along with other income-related deductions and personal allowances are deducted from gross income.

Employment expenses

28. Employment related expenses are usually deducted in the form of the following standard deductions:

    A. **Commuting cost deduction.** A standard deduction determined by the canton and in line with local public transport costs, is given for the use of public transport. A fixed amount per kilometer can be claimed for using the private car but only if proof is given that it's use is absolutely necessary;

    B. **Lump-sum deduction for costs for meals at place of work.** A standard lunch deduction may be given if the employer does not provide a canteen. A reduced deduction may be available if the employer offers a meal subsidy;

    C. **General business related deduction.** There is a standard deduction for costs associated with employment.

29. Expenses exceeding the general employment deduction can only be deducted if they can be supported by invoices or other evidence. In this case, the standard deduction cannot be taken in addition to actual expenditure.

30. If an employee receives a fixed monthly expense allowance (i.e. representation allowance) instead of a reimbursement of actual expenses incurred, then the allowance is considered taxable income unless the employee can prove that the same amount of actual expenditure has been incurred. It is advisable for an employer to agree fixed allowances, which have been itemized and submitted in a formal ruling approved by the cantonal tax authority.

Special concessions for expatriates

31. As of 1 January 2001, special business deductions may be claimed for foreign nationals working in Switzerland who fulfill various conditions. The concessions concern double housing costs, moving costs, and

school fees. The cantons grant similar concessions. Please refer to Appendix D for more detailed information of the current rules and discussions.

Interest paid

32. Mortgage and other debt interest paid to Swiss and foreign creditors can be deducted up to CHF 50,000 plus the gross income derived from movable and immovable wealth. Interest paid on a mortgage for real estate outside Switzerland is only partially deductible from Swiss income. The amount, which can be deducted from Swiss income, will be determined by the location of movable and immovable assets. However the full deduction can normally be taken into account to determine the applicable tax rate.

Insurance premiums

33. Actual insurance premiums are not normally tax deductible. A standard deduction determined by the canton and based on the status of the taxpayer (married, single, number of children) is given for insurance premiums.

Double income allowance

34. A standard deduction is granted by some cantons to married couples if both spouses are in paid employment.

Alimony/Maintenance payments

35. Alimony or maintenance payments to a divorced or legally separated spouse are deductible for federal and cantonal tax purposes. Alimony is tax deductible for the payer and taxable for the recipient in all cantons. For federal tax purposes and in many cantons, maintenance payments paid to children are deductible for the payer and taxable for the recipient.

Further deductions

36. Certain cantons accept further deductions, e.g.:

- Donations to Swiss charitable institutions;
- Medical costs borne by an individual.

Personal allowances

37. Certain personal allowances are given according to an individual's personal circumstances (i.e., marital status, number of children, age). If a taxpayer supports individuals financially who are either not able to work or not able to work full-time (with the exception of a spouse and their own children) an additional deduction may be granted if all other conditions specified by the canton are satisfied.

Capital gains tax

38. Private gains arising on the disposal of Swiss real estate are subject to a separate, cantonal immovable property gains tax in all cantons. There is no federal tax on this gain. The tax is based on the amount of gain and period of ownership. Property improvement costs which have not qualified for the maintenance and repair costs deduction from income can be deducted from the gain made on the sale of the property before tax.

39. Private gains on the disposal of movable assets (shares, etc.) are not subject to Swiss income tax. However, an individual dealing with securities frequently and systematically could be treated as a commercial securities dealer and capital gains would be subject to federal, cantonal and communal income tax. In such a case, capital losses could be credited against other income.

Double taxation allowances

40. Taxable income is essentially the sum of worldwide income less allowable deductions. Foreign nationals working in Switzerland may continue to have foreign income (e.g. income from foreign property and business interests), which may remain taxable in the other country and can be exempted from Swiss tax in order to avoid double taxation of this income in accordance with Swiss law and/or double taxation agreements. Although this income is exempt from Swiss tax it must be declared in the Swiss tax return in accordance with the cantonal tax practice as it is taken into account to determine the applicable tax rate. This method of avoiding double taxation is referred to as exemption with progression. A list of countries with which Switzerland has concluded double taxation agreements is given in Appendix E.

41. If an individual is resident in one country and working in another country, the salary is in principle taxed in the country in which work duties are performed. However most double taxation agreements have a clause stating that the salary is only taxed in the country of residence (home country) and exempt from tax in the country of work (host country) if all of the following conditions are met:

- The individual stays less than 183 days within a calendar or a tax year or, depending on the applicable tax agreement, within any 12 month-period, in the country where work duties are performed; and
- The salary is paid (borne) by an employer who is not resident in the country in which the employee works; and
- The salary is not borne by a permanent establishment of the employer in the country in which the employee works.

Social security contributions

42. Social security contributions are normally paid in the country where you exercise your employment; though there are exceptions (see Appendix D). Foreign nationals working in Switzerland are therefore obliged to contribute to the Swiss social security system (AHV/IV/EO, AVS/AI/APG). The benefits include old age, survivors and disability pensions (Pillar 1). The contributions amount to 10.3% (5.15% + 5.15%) of uncapped employment income, borne half by the employee and half by the employer. Providing the spouse is living in Switzerland, a non-working spouse of an employee shares in the social security benefits of the working spouse. In general, the non-working spouse is automatically insured together with the working spouse if the working spouse's annual contribution amounts to at least CHF 950 (twice the legally prescribed minimum contribution to the Swiss social security system).

43. Contributions have to be made for Unemployment Insurance (ALV, AC). 50% is contributed by the employee and 50% by the employer.

44. The 2011 rates are: 2.2% (1.1%+1.1%) on a capped salary of up to CHF 126,000. In addition, a solidarity tax contribution of 1% (0.5% + 0.5%) has been introduced on employment income between CHF 126,000 and CHF 315,000 as part of the ALV contribution.

    Employers also have to contribute to compulsory occupational accident insurance for their employees.

    Income net after social security contributions is declared in the Swiss tax return.

45. Health care is not covered by the Swiss social security system and it is therefore a legal requirement to take out medical insurance with a Swiss insurance company soon after your arrival. There are very few exceptions to this rule. An employer may sometimes provide health insurance but this would be considered as a taxable benefit.

Contributions to an individual retirement account

46. In Switzerland pensions are categorized into 3 pillars:

- Pillar 1- The state pension is included in the social security and is referred to above;
- Pillar 2- The occupational/company pension scheme (BVG);
- Pillar 3 - Voluntary personal pension (Pillar 3).

47. Pillar 2 - The occupational pension scheme (BVG) is mandatory for all salaried persons in Switzerland who are subject to AHV/IV, are older than 17, and have an annual income that exceeds CHF 20,880 (threshold for the mandatory pension scheme). The level of contributions depends on age and the level of the employee's insured salary. The level of compulsory insured salary ranges in 2011 between CHF 24'360 and maximum CHF 83'520. Employee's contributions are calculated as a percentage of the annual salary less the coordination off set (i.e. CHF 65,000 – 24,360 = CHF 40,640) as follows:

Age	Retirement credits
25-34	7%
35-44	10%
45-54	15%
55-65 (64)*	18%

* For women

The employer must contribute at least 50% of the total obligatory contribution for its employees.

48. Income net after mandatory Pillar 2 contributions is declared in the Swiss tax return. A deduction can also be taken for additional contributions/top-up payments to the Pillar 2 pension and the original certificate confirming this payment must be filed with your tax return. You will be informed whether it is possible and how much you can pay into the Pillar 2 pension by the company pension fund administration. ***It is also very important that you consult your personal tax advisor prior to making a top-up payment as the timing of the payment and your tax residency status can significantly impact the tax benefit of making such a payment.***

49. Employees may also contribute to an individual voluntary retirement account (Pillar 3a). These accounts can be opened with any Swiss bank or a Swiss insurance company. Contributions to Pillar 3a personal pension accounts, up to a maximum of CHF 6,682 for 2011 are deductible for employees already contributing to the Pillar 2. The original certificate confirming this payment must be filed with your tax return.

50. Pension funds cannot usually be withdrawn until the owner reaches retirement age. With the following exceptions:

- Pillar 1
  - If you are a national of a country which does not have a social security treaty with Switzerland benefits vested in the Swiss social security system can be claimed back if you leave Switzerland with no intention of resuming Swiss residency on application to the Swiss Compensation Office in Geneva.
- Pillar 2 and Pillar 3a pensions
  - The funds can be withdrawn or assigned to a Swiss mortgage if the individual buys real estate to be used as a main residence (subject to the conditions of the pension plan); legislation

introduced on 1 January 2006 restricts the use of Pillar 2 top-up payments referred to above for the purchase of real estate, for a period of 3 years.

- The funds can be paid out if the individual is leaving Switzerland with no intention of resuming Swiss residency (restriction: BVG part will not be paid out if mandatorily insured in EU/EFTA member state*)
- The payments would then be subject to a withholding tax at a favorable, progressive tax rate, which is capped. The maximum tax rate depends on the canton, but should in principle not exceed 13%. The maximum federal tax rate is approximately 2.3% (1/5th of the federal tax rate normally applicable to the payment).
- A refund of the withholding tax may be made depending on the country of residence at the time of withdrawal. ***It is important to check the tax consequences of receiving this refund as it may be considered as taxable income in the new country of residence.***
- *Since 1 June 2007 it is not possible any more to have the full Pillar 2 pension fund paid out if you move to/if you are employed in an EU/EFTA State and are insured there against the risks of old age, death and permanent disability on a mandatory basis. In this case, a portion of the pension fund equivalent to the mandatory BVG will be retained by Switzerland in line with the practice in the EU States until the benefits are due to be paid out e.g. on retirement, death or disability, etc.

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Step 3 – Switzerland and the EU

51. In brief: The sector-specific bilateral agreements between Switzerland and the 15 members states of the EU as at 1 June 2002 (EU) cover seven areas: civil aviation, overland transport, research, public procurement markets, agriculture, elimination of technical barriers to trade, and the free movement of people. In this summary we focus on the agreement of free movement of people.

Agreement on free movement of persons between Switzerland and the European Union

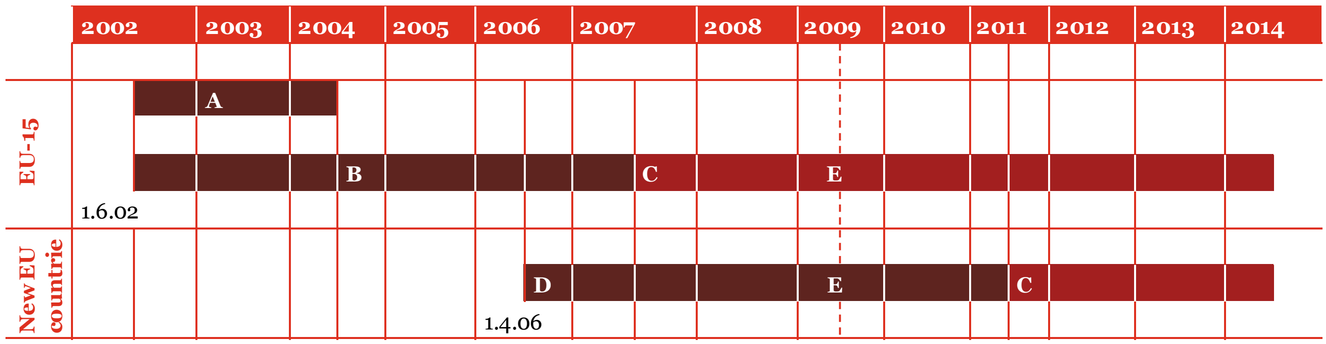
52. The agreement on free movement of persons between Switzerland and the old 15 EU (EU-15) member states entered into force on 1 June 2002. As of 1 April 2006 the agreement of free movement of persons was extended to the 10 new EU (EU-10) member states that joined the EU on 1 May 2004 and as of 1 June 2009 to Romania and Bulgaria. This agreement applies only to Swiss citizens and EU nationals.

Agreement on free movement of persons

53. This agreement governs the introduction of freedom of movement between Switzerland and the EU, and the gradual opening of their respective labor markets. The agreement covers workers of all kinds, the self-employed, and individuals without gainful employment who have sufficient financial means of their own, in both Switzerland and the EU. The right to free movement is accompanied by the mutual recognition of professional diplomas and the coordination of social security regulations. With regard to the tax situation, the agreement states that the provisions of bilateral agreements between Switzerland and the Member States of the European Community on double taxation shall be unaffected by the provisions of the agreement of free movement of people.

54. The freedom of movement will be introduced with transitional periods in respect of the EU-15. For the extension to the new EU-10 the Federal Council has negotiated longer periods and more stringent immigration restrictions.

55. The reciprocal opening of labor market is controlled and gradual. The applicable transitional periods in this respect are as follows (Romania and Bulgaria not covered):



Introduction of the free movement of person for the EU-15:

- A: 2 years of national priority, control of wages and working conditions (until 1.6.04);
- B: 5 years of quotas (until 31.5.07);
- C: Special protection clause for Switzerland in case of an excessive increase immigration (until 2014);
- E: Optional referendum on the continuation of the Agreement on the Free Movement of Persons.

Introduction of the free movement of persons for the new EU member states (excl. Malta + Cyprus):

- D: National priority, prior control of wages and working conditions, as well as quotas (until 31.5.11);
- C: Special protection clause for Switzerland in case of an excessive increase immigration (until 2014);
- E: Optional referendum on the continuation of the Agreement on the Free Movement of Persons.

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Step 4 – What to do before you arrive in Switzerland

Residence and work permit

56. Before you enter Switzerland, you must obtain a residence and work permit for the canton in which you intend to stay. Employees from new EU member states (excl. Malta and Cyprus) will need a work and resident permit and the regulation set out immigration restriction, national priority, and control of wage and work conditions (see Step 3).

57. For employees from EU-15 (incl. Malta and Cyprus) only a residence permit is required. A resident permit is issued if the individual has a Swiss employment contract and is subject to quotas and control of wage and work conditions. A "B-EC/EFTA" permit is valid throughout Switzerland. The move to another canton will only require registration with the cantonal authorities. EU/EFTA nationals with residence permits (B-EC/EFTA) or short-term residence permits (L-EC/EFTA) may be accompanied by their spouse and their children who are younger than 21 or who depend on maintenance. The spouse and children who join the employee in Switzerland are entitled to take up paid employment and are required to have permits but are not subject to quotas.

58. For employees wit a non Swiss employment contract or for non EU/EFTA states evidence must be provided by the employer of a search for a candidate with the required qualification. These permits are subject to quotas and are bound to the canton that grants them. Non EU/EFTA nationals who have been granted a permit B may be joined by their families. As a rule the period of validity of residence permit (B) is limited to one year and it is normally renewed every year. The period of validity of short-term L permits is usually identical to the term of the employment contract and can exceptionally be extended to an overall duration of no more than 24 months.

59. A foreign national may have the right to settle in Switzerland after 10 years and be granted a C permit. This gives the right to change the place of residence and employer in Switzerland. Citizens from certain countries may obtain a C permit after a period of five years (see Appendix F).

Remuneration package

60. Before moving, satisfactory arrangements should be made to cover any extra expenses due to living in Switzerland. Special attention has to be paid to the question of continuing to participate in an existing pension plan.

Social security

61. On moving to Switzerland, it is not usually obligatory to contribute to the home country social security scheme. Failure to make any contributions for a period of years, however, is likely to result in a lower pension. It may therefore advisable to consider the possibility of continuing to pay voluntarily contributions.

62. There are social security agreements in existence with numerous other countries (see Appendix G). As a result of such an agreement, foreign nationals may be exempted from contributions to Swiss social security schemes (see Appendix D).

Importing personal possessions/household goods

63. Individuals moving to Switzerland can import their household goods duty-free if they have held them for at least six months, have used them for personal purposes, and will continue to use them for personal purposes. At the point of importation, a Swiss customs form (no. 1844) must be presented during the usual working hours, along with an original list (in either French or German) of the items being imported. A copy of the residence permit or a copy of the first five pages of the passport will also need to be presented. In addition, a copy of the house/apartment purchase or rental agreement of the property in Switzerland must be presented. Household goods should be imported contemporaneous with the move into a house/apartment in Switzerland.

Importing cars

64. Cars, which are brought to Switzerland together with the household goods, can generally be imported duty-free into Switzerland providing they have been used for personal purposes for at least six months before entry into Switzerland and that they will continue to be used for personal purposes for at least one year in Switzerland. If the use of the car does not fulfill these requirements, two possibilities exist. The first possibility is to apply for a license for the duty-free import and the use of the car within Switzerland during a limited time. Such a license is valid for a period of maximum two years from the date of the transfer of the car. After this time, the car must be exported or definitely imported. The second possibility is to import the car immediately and pay the duty and VAT owed. At the import, a customs-duty (CHF 15/100kg), a car tax (4%), a fee for the inspection report (CHF 20), and 8% VAT (basis for the VAT-calculation is the amount after the mentioned fees/taxes) is levied.

The Swiss Customs Office can provide further details on importing cars into Switzerland.

Transferring funds to Switzerland

65. Funds can be transferred to Switzerland without any restrictions.

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Step 5 – What to do when you arrive in Switzerland

Registration

66. All residents of Switzerland have to register at the local city community offices where they are living. Foreign nationals arriving in Switzerland should go to register as soon as possible after their arrival and before starting to work. The residence and work permit will be issued which documents the status (B/L permit holder, etc.). If a new resident does not want to contribute to the church tax system in Switzerland, then they should reply 'none' to the question about religion.

Tax return

67. Depending on the canton of residence, B or L permit holders will be subject to tax at source and might also have to submit a Swiss tax return each year (see Step 6). Professional tax advice should be sought shortly after arriving in Switzerland in order to fully understand how Swiss tax legislation will be applied in the individual financial circumstances and canton or community of residence.

Social security

68. Social security matters are dealt with by the Swiss employer. The employee and the accompanying family members will have to take out mandatory medical insurance in Switzerland within 3 months of their arrival. An exemption from this obligation may be granted by the authorities in certain very specific circumstances.

Step 6 – What to do at the end of the year

Tax return

69. Foreign nationals who are Swiss tax residents will normally have to file a Swiss tax return each year unless they satisfy the following conditions:

- The individual's gross annual employment income is less than CHF 120,000 (if both spouses are employed in Switzerland, they may each earn up to CHF 120,000) or CHF 500,000 for the canton of Geneva (there may be other cantonal variations) providing that;
- Tax is withheld at source by the employer on worldwide compensation;
- There is minimal or no foreign source investment or other income to declare; and
- There is no real estate in Switzerland or abroad to declare;
- There is no taxable wealth;
- The taxpayer or the spouse is not Swiss or C permit holder.

If these conditions are fulfilled, then Swiss tax will be withheld from the salary and there will be no requirement to file a Swiss tax return.

70. The due date for submitting the tax return is usually 31 March of the following year. This due date can be extended by sending an application for an extension to the cantonal tax authorities. The tax return has to be submitted with all the supporting documents including:

- The annual and monthly salary statement;
- Bank and investment statements showing the balances at the 31 December;
- Bank and investment statements showing interest received;
- Statements of mortgage and debt interest paid;
- Statements of alimony or support payments paid or received;
- Real estate maintenance and repair invoices;
- Invoices for medical costs not reimbursed by the health insurance;
- Original certificates of additional voluntary pension contributions;
- Receipts for contributions to Swiss charities;
- Surrender value of life insurance policies with a capital value; and
- There may be other documents specific to the individual's personal situation.

71. To make the preparation of the tax return easier, a file should be kept throughout the year for any of the above documents (if applicable to your financial circumstances), which may need to be submitted with the tax return. Swiss banks automatically send statements showing the balance of your accounts, interest received, and withholding tax paid at the beginning or each calendar year. Other banks or financial institutions do not automatically provide this information and it may be necessary to contact the financial institutions concerned to request it. Even if the conditions above are satisfied and a Swiss annual tax return does not have to be filed, it is still useful to retain the documents throughout the year, as it may be possible to

claim some of the deductions by requesting a withholding tax tariff correction. The deadline for filing this correction is 31 March of the year following the tax year in many cantons and it is often not possible to obtain an extension.

Withholding taxes

72. Swiss and foreign taxes on dividends and interest can be reclaimed or credited against the tax liability, if there is a double tax agreement, certain conditions are fulfilled, and the income has been reported in the Swiss annual tax return.

Payment of tax

73. The federal, cantonal and community tax authority will issue final tax assessments and invoices based on the tax return submitted. It may be several months and can be over a year before these assessments and invoices are issued. Tax payments may need to be made before the final invoices are issued. Swiss nationals and C permit holders will normally make estimated tax payments during the year, as they do not have taxes withheld at source by their employers. To facilitate making these payments the tax authorities generally issue provisional tax invoices based on the previous year's tax return. However it is not normally necessary to make any additional payments before receiving the final tax invoices, if taxes are being withheld from your monthly salary payments, unless you have substantial additional income, which has not been subject to Swiss tax at source. Tax withheld or estimated payments will be off set against the final tax liability and interest for late payment will be charged on any taxes not paid by the due dates. Interest will be paid on any taxes overpaid and the overpayments will normally be carried forward to the next tax year unless the tax authorities are requested to refund the overpayment to the taxpayer. If the taxpayer does not agree with the assessment, then an appeal can be made, normally within 30 days. Foreign nationals are recommended to have their tax assessments checked by a Swiss tax professional to ensure that all the deductions claimed and taxes prepayments have been correctly accounted for.

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Step 7 – What to do when you leave Switzerland

Filing a tax return

74. When de-registering from Switzerland, a tax return must be filed declaring all the income received up to the date of departure, unless the conditions referred to above are satisfied and the foreign national is subject to tax at source only. If you own real estate in Switzerland you will normally continue to have an annual tax filing obligation in the canton where the property is located after you have left Switzerland.

75. You are liable for tax in Switzerland up to the date of departure in respect of any Swiss-sourced earnings paid at a later date e.g. bonus payments. Tax will normally be withheld from such payments and it will not normally be necessary to file a Swiss tax return for such income.

Swiss pension payments

76. If you have contributed to the Swiss social security system you will have accrued benefits in the state pension (Pillar 1) which you will normally be entitled to receive when you reach the retirement age of 65 for men and 64 for women. You should keep your Swiss Social Security Card safe as this may need to be provided to the Swiss Compensation Office in Geneva in order to claim your pension.

77. As mentioned in Step 2 the Pillar 1 pension funds accrued in the Swiss social security system can only be paid out to you when you leave Switzerland if you are a national of a country which does not have a reciprocal social security agreement with Switzerland (see Appendix G) and you are not moving to an EU State. If you are eligible to have the social security fund paid out you should complete the claim form, which can be obtained from the Swiss Compensation Office in Geneva, at the time of your departure.

78. Your Pillar 2 and Pillar 3a pension funds can either be:

    1. Transferred to your new occupational/company pension fund (pension fund regulations permitting); or
    2. Transferred to a vested benefits account in Switzerland; or
    3. Paid into your personal account.

    Options 1 and 2 are normally tax neutral.

    If you chose option 3 above Swiss tax will be withheld from the payment as mentioned in Step 2. The payment may also be subject to taxation in the new country of residence.

    Please note that although Swiss pension funds can normally only be paid out to you after you have de-registered from Switzerland arrangements for the transfer of your pension funds should be made well in advance of your departure and should be discussed with the pension fund administrators and tax advisors in both Switzerland and the country you are moving to in order to fully understand and optimize the tax implications of this transaction.

Tax on Swiss bank account interest

79. Bank account interest is subject to a withholding tax of 35%, however, once you have de-registered from Switzerland you will no longer be liable to tax on this income if you are resident of a country which has a

double tax agreement with Switzerland. You will normally be able to claim this tax back by completing and submitting the appropriate tax claim form.

Reporting departure

80. Before leaving Switzerland, foreign nationals must personally give notice to the community of residence of the intention to leave. It is usually at this time that any outstanding tax liabilities should be paid. It is recommended that assistance from a tax professional is sought if you are unable to complete this process prior to departure.

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Step 8 – Other matters requiring consideration

Wealth tax

81. All cantons raise a tax on net wealth. There is no such tax at the federal level. In general, the following assets are considered as taxable:

- Immovable assets (e.g. real estate);
- Movable assets (e.g. securities and other investments);
- Cash, gold and other precious metals;
- Cash value of life assurance policies;
- Shares in undistributed inheritances;
- Business capital, shares in a partnership; and
- Motor vehicles, boats, etc.

Pension funds are not considered as assets for the purpose of the Swiss wealth tax and do not need to be declared in the Swiss tax return.

82. All liabilities e.g. outstanding mortgages and other loans can be deducted, in order to determine the net wealth. In some cantons, there is a personal allowance depending on the status of the taxpayer (married or single, number of children). In other cantons, this personal allowance is considered in the applicable wealth tax rates.

83. A taxpayer must declare worldwide assets including worldwide assets belonging to all immediate family members (e.g. spouse and dependent children). Foreign real estate and qualifying business interests are exempt from wealth tax but are taken into account to determine the applicable wealth tax rate (exemption with progression). Liabilities are allocated according to the location of gross assets.

Example	Total (CHF)	USA (CHF)	CH (CHF)
Property	400,000	400,000	-
Other assets	100,000	-	100,000
	500,000	400,000	100,000
	(100%)	(80%)	(20%)
Liabilities	(100,000)	(80,000)	(20,000)
Taxable net assets	400,000	320,000	80,000

In this example CHF 80,000 will be taxed at a tax rate based on net assets of CHF 400,000.

84. The rates for wealth tax are progressive and vary depending on the canton in which the taxpayer is living. For example, the 2010 tax on joint net assets of CHF 1,000,000 for a married couple resident in:

- Zurich is approximately 0.2% (CHF 2,000);

- Basel-City is 0.58% (CHF 5,800);
- Geneva is approximately 0.62% (CHF 6,200).

Church tax

85. In most cantons members of the Roman Catholic Church and the local Protestant Church have to pay a church tax, which is levied at a certain percentage of income tax. In some cantons other religious communities also levy a church tax.

86. Foreign nationals who register at the local community office should check carefully whether they are registered as a member of such a religious community. If they do register as a member they automatically become subject to church tax. If they do not wish to contribute to the church tax they should answer 'none' when asked their religion. If they wish, a letter can be sent to the church tax authority requesting that they be removed from the church register.

Inheritance and gift tax

87. Inheritance/property and gift taxes are only levied by the cantons, although in a few cases they are also levied by the communities. The federal authorities do not charge tax on either inheritances or gifts. In some cantons there are no inheritances or gift tax and in others inheritance or gifts to descendants or spouses are exempt from tax.

88. An individual becomes liable to tax if they:

- Inherit property from a person whose last residence was Switzerland;
- Receive a gift from a donor resident in Switzerland;
- Receive property in Switzerland as either a gift or as an inheritance.

89. Liability to taxation does not, in principle, depend on the nationality of the deceased or of the donor, and is also not dependent on the place of residence of the heir or recipient. Please note however that there can be cantonal variations.

90. The tax rate is progressive and reflects the degree of kinship involved as well as the value of the inheritance or gift. The maximum tax rate for unrelated persons can be as high as 54%.

Purchase of property

91. A foreign national who has a B permit can buy property in Switzerland if the property will serve as the individual's main place of residence. However, if you have a B permit and your employment in Switzerland is discontinued you may no longer have a right to remain in Switzerland. In this case, you would be able to rent out the property. Purchasing property as a second residence is possible only in certain communities and under certain conditions with the approval of the local authorities.

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Appendix A – Taxation of foreign employees resident in the canton of Zurich

Taxation at source

As a resident of the canton of Zurich, you will usually become liable to tax from the date of your arrival. Tax at source is deducted monthly from your salary in accordance with withholding tax tables issued by the canton. The tax is calculated based on the gross monthly gross salary and will therefore increase in months when a bonus or additional month's salary is paid to take account of the progressive Swiss tax rates. Swiss social security and average Swiss pension contributions, as well as standard deductions and your marital status and family size are built into the tax tables.

Tax deducted at source covers direct federal tax, cantonal, and communal taxes as well as church tax. Church tax is only levied if the taxpayer has registered at the local community office as a member of the three main Swiss churches: the Roman Catholic, Christian Catholic, or the Protestant church.

Tax rate

Tax at source rates (based on 12 regular monthly salary payments), which will be offset against your final tax liability for 2011, including federal, cantonal, and communal taxes (excluding church taxes) for the following examples of gross income are as follows:

Gross income/ year (CHF)	Single	Married	Married + 2 children
100,000	9.67%	6.75%	3.62%
150,000	13.86%	10.20%	7.47%
200,000	17.70%	14.20%	11.56%
300,000	21.35%	17.98%	15.83%

Tax return

In the year following your arrival in Switzerland, you have to file an annual Swiss tax return (see Step 6) if your annual gross income exceeds CHF 120,000. In the first year, income from the date of arrival to the year-end will be annualized. Income received after the date of arrival in Switzerland relating to work duties exercised prior to arrival in Switzerland will be exempt with progression (subject to the application of an existing double taxation agreement).

There are differences in the value of certain standard deductions for cantonal and federal tax purposes. For example the 2011 normal cantonal standard insurance and savings deduction for a married couple is CHF 4,800 whereas the federal deduction is CHF 3,500.

Income tax computation 2011

The following computation assumes that the individual is married, with only one spouse in paid employment and two children, resident in the city of Zurich, contributing 7% of the gross compensation to the Swiss pension plan, liable to Swiss social security contributions and no church tax. Other relief or allowances may be available; therefore further advice should be sought if you would like a more accurate estimate of your annual tax liability.

Tax computation	Cantonal CHF	Federal CHF
Base Salary	150,000	150,000
Allowances	50,000	50,000
Total gross salary	**200,000**	**200,000**
Less —		
Social security (employee's share)	(12,100)	(12,100)
Pension contributions (employee's share)	(14,000)	(14,000)
Less — Deductions:		
General employment	(4,000)	(4,000)
Insurance deduction +2 children	(7,200)	(4,900)
Child allowance	(13,600)	(13,600)
Deduction for married couple		(2,600)
Taxable income	**149,100**	**148,800**
Cantonal and community tax	20,667	
Federal tax	6,690	
Total Swiss tax liability	***27,357***	

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Appendix B – Taxation of foreign employees resident in the canton of Geneva

Arrival

If you intend to work in Geneva, then you will usually receive a questionnaire from the Geneva tax authority on your arrival. Apart from general questions, you are requested to give information concerning your salary, other private income, and your investments (Including real estate property in and outside Switzerland). Based on these replies, the tax authority decides whether you are subject to tax at source method or if you have to complete a Swiss annual tax return. Withholding at source is a simplified method of taxation administered by the employer and covers employment income only. Filing a full income and wealth tax return is the most common method applicable to all Swiss citizens, as well as foreigners meeting certain conditions, such as:

- If the level of your total annual gross income exceeds CHF 500,000;
- If you have a taxable wealth in Switzerland — at that time, if the worldwide assets exceed CHF 164,400 for a married couple, plus CHF 41,100 for each dependent child;
- If you own a real estate (flat or house) in Geneva;
- If you are partially or totally paid from abroad;
- If your spouse is self-employed;
- If you (or your spouse) are a C permit holder or a Swiss national.

Taxation at source

In general, foreign employees residing and working in Geneva and holding a B work permit are subject to tax at source.

Tax at source is computed on gross employment income for the current year. All standard professional and personal allowances are normally taken into account in the withholding tax rate.

Tax rate

The following withholding tax rates for 2010 which include federal, cantonal, and communal taxes are applicable to foreign nationals working in Switzerland. If both spouses are working, then the single worker tax rate is applied to both throughout the year. At the end of the year, the tax rate is recalculated based on their combined income, less dual income deductions available. This usually results in additional taxes being due.

Gross income (CHF)	Single	Married	+2 children (under 12)
100,000	16.55%	8.46%	3.56%
150,000	21.36%	14.86%	10.64%
200,000	24.82%	19.77%	16.12%
300,000	29.37%	25.23%	22.75%

Additional income, deductions and assets

If you are taxed at source, then you have a legal obligation to report at the end of each year other income earned during the year and your taxable wealth (if any). On the other hand you have the possibility to claim deductions such as:

- Contribution to Pillar 3a
- Pillar 2 buy-back
- Alimony paid to the ex-spouse/children
- Child-care center costs
- Other deductions might be claimed like donation/gift, effective professional expenses, etc

These deductions are not automatically granted but require a correction to be submitted to the tax authorities by 31 March of the following year at the latest. It is not possible to obtain an extension of this deadline.

Annual tax return

If you meet one of the conditions mentioned in paragraph 1, then you will have to complete a Swiss annual tax return. Please note that, unlike in other Swiss Cantons, in Geneva there is no requirement to continue paying tax at source when you are filing a Swiss tax return. As a consequence, you will have to pay regular installments on a monthly basis.

Income

You have to report in the Swiss tax return all your worldwide professional and private incomes such as interest, dividends, rental income etc.

Deductions

If, based on the work contract you received special allowances e.g. representation, housing, education or other allowances in addition to your base salary, then you may be granted some tax relief on these allowances. Here are the main types of allowances granted:

Representation allowances:

In Switzerland professional expenses incurred must be reimbursed to the employee, based on supporting documents. For executives having a representative duty, they can be granted a tax free representation allowances in lieu of professional expenses that cannot be justified by supporting documents.

According to the Geneva tax practice, the deduction can be up to 5% of gross compensation lower than CHF 250,000 per annum, and 10% on the compensation exceeding CHF 250,000. The deduction is capped to a maximum of CHF 100,000.

To be granted such an exemption, here are some of the conditions that have to be met:

- You should be an executive with recognized representation duties,
- Annual compensation should at least be of CHF 150,000;
- The company needs to have a proper policy in place regarding the payment and reimbursement of professional expenses agreed by the authorities;
- The work contract needs to mention the representation allowances and to be properly structured;
- The representation allowance needs to be clearly itemized in the monthly pay-slip.

Residency (housing) allowances:

These are tax free housing allowances that can be granted to executives or specialist assigned to Switzerland for a limited period of time.

While the Swiss federal tax rules are normally applicable (see Appendix D), the Canton Geneva grants higher tax deductions at the cantonal and community level for employees meeting the conditions to file a tax return (as opposed to tax at source system).

The higher norm can reach 10% of the total package (provided it is properly structured) with a cap of CHF 100,000.

The main conditions that need to be fulfilled to meet the deduction are the following:

- To qualify as an executive or specialist and to meet the other federal conditions described in Appendix D;
- The payment of the allowances must be mentioned in the work contract or the letter of assignment. Professional advice should be sought in this respect.

School fees:

In the past, school fees for children of a foreign employee had been considered free of cantonal and federal income tax as long as an international company paid such fees to a foreign language school in Geneva in the form of a lump sum financial contribution made on a no name basis. A special contract ('Cooperation Agreement') had to be concluded between the school and the company. The same type of tax exemption still exists, though the conditions have became more flexible in some respects and are now more in line with the federal requirements applying to foreign assignees as described in Appendix D.

Other tax deductions

If you are obliged to file an annual tax return, you are allowed to claim additional deductions including:

- Effective insurance premiums (i.e. health, accident and life insurance premiums paid are deductible for cantonal purposes only but are limited to the federal standard deduction);
- Medical expenses paid by the taxpayer and not reimbursed by medical insurance (provided this amount exceeds 1% of the cantonal taxable income and 5% at a federal tax level);
- Contributions to a professional pension scheme;
- Contributions to a private Swiss retirement plan;
- Alimony/maintenance paid to a former wife (separated or divorced);
- And others lump-sum or effective tax deductions.

Departure

At the end of your assignment in Geneva, you must inform the tax authority of your departure. As soon as it has been confirmed that all taxes have been paid, your work permit will be stamped and will then be returned to the 'Office Cantonal de la Population' in Geneva. Professional assistance should be sought as the timing and formalities of the departure can be an issue for a number of taxpayers.

Cross border

Cross border employees working in Geneva but living in France are subject to tax at source for the gross salary only. All the other elements of wealth and revenue are taxable in their country of residence through the French tax return.

Income tax computation 2010

Individual subject to tax return filling

The following computation assumes that the individual is married with two children, resident in Geneva (and commune of Geneva).

Tax computation	Cantonal CHF	Federal CHF
Base Salary	150,000	150,000
Allowances	50,000	50,000
Total gross salary	**200,000**	**200,000**
Less —		
Social security (employee's share)	(12,100)	(12,100)
Pension contributions (employee's share) 7%	(14,000)	(14,000)
Less — Deductions:		
General employment	(1,700)	(4,000)
Insurance deduction +2 children under 12	(4,750)	(4,900)
Child allowance		(13,600)
Deduction for married couple		(2,600)
Taxable income	**167,450**	**148,800**
Cantonal and community tax	32,200	
Federal tax	6,690	
Total Swiss tax liability	***38,890***	

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Appendix C – Taxation of foreign employees resident in the canton of Basel-City

Taxation at source

As a resident of the canton of Basel-City, you will usually become liable to tax from the date of your arrival. If employed by a Swiss-resident employer, tax at source is deducted monthly from your salary in accordance with withholding tax tables issued by the canton. The tax is calculated based on the gross monthly salary and will therefore increase in months when a bonus or additional month's salary is paid to take account of the progressive Swiss tax rates. Swiss social security and average Swiss pension contributions, as well as standard deductions and your marital status and family size are taken into account when determining the withholding tax rates.

Tax deducted at source covers direct federal tax, cantonal, and communal taxes. If you are a B or L permit holder with a salary of less than CHF 120,000 gross per annum and you do not own a property or have other income from outside Switzerland, you are not required to file a Swiss tax return and the tax at source will be your final tax liability. You may be able to claim non-standard deductions by requesting a withholding tax tariff correction. This is done by providing your annual salary statement and documentary evidence of any non-standard deductions referred to in Step 2 that you wish to claim, to the Basel-City tax authorities. This must be done before 31 March of the year following the tax year (e.g. 31 March 2012 for the 2011 tax year), as extensions for the filing of tariff corrections are not normally granted.

C permit holders are not subject to tax at source and therefore need to file a tax return each year, even if the salary is below the CHF 120,000.

If you are an International Commuter the tax at source will be your final tax liability and it is not possible to claim any additional deductions. However if you perform part of your work duties outside of Switzerland and are subject to taxation in the other country you may be entitled to a tariff correction based on the number of days worked in Switzerland and provided there is a double taxation treaty between Switzerland and the other country.

Board member fees of foreign directors of a local company are subject to tax at source of 25%. This rate covers cantonal and federal tax.

Based on double taxation agreements; cross border employees working in Basel but living in Germany are subject to tax in their country of residence, Germany and must also pay a withholding tax of 4.5% of their gross income earned in Switzerland. The withholding tax paid in Switzerland will be credited against the German tax liability. Swiss residents working in Germany need only declare 80% of their gross income in their Swiss tax returns and must also pay a withholding tax of 4.5% of the gross income to the German tax authorities. Normally cross border employees are subject to social security of the country where they are working.

Cross border employees working in Basel but living in France are only subject to tax in their country of residence, France. Swiss residents working in France are subject to tax only in Switzerland. Normally cross border employees are subject to social security of the country where they are working.

Tax rate

The following withholding tax rates for 2011 include federal, cantonal, and communal taxes (if you live in the communities of Riehen or Bettingen) but do not include the fire service tax (maximum CHF 280 per year) or church tax (applicable for members of the Roman Catholic, Christian Catholic, Protestant and Jewish communities). The amount withheld will be offset against your final tax liability for 2011 based on your Swiss tax return.

Gross income (CHF)	Single	Married	+2 children
100,000	16.49%	11.43%	7.01%
150,000	19.84%	15.69%	12.25%
200,000	22.58%	19.53 %	16.39%
300,000	26.07%	23.70%	21.58%

Tax return

B and L permit holders earning over CHF 120,000 or having property or income from outside Switzerland are obliged to file a tax return each year. The first filing due date is 31 March of the year following the tax year (e.g. 31 March 2012 for the 2011 tax year). Tax filing extensions can be obtained from the Basel-City tax authorities, on request. If you arrive during the tax year, income received from the date of arrival to the year-end will be annualized. Income received before the date of arrival in Switzerland will not be taken into consideration in your Swiss tax return. Income received after arriving in Switzerland but relating to work duties performed before arriving in Switzerland will be taken into consideration to determine the applicable tax rate but may be exempt from Swiss income tax in certain circumstances (exempt with progression). Such income may remain taxable in the country where the work was performed.

There are a number of standard deductions which can be claimed and which may be different for determining the taxable income for cantonal and federal tax purposes. (See the income tax computation below).Standard deductions are based on your salary statement and the details provided to the immigration authorities when you registered in Basel. No further documentation is required to support these deductions.

Non-standard deductions referred to in Step 2 may not be allowed without specific documentary support which should be filed with your tax return.

Income tax computation 2011

The following computation assumes that the individual is married with two children and resident in Basel-City, contributes 7% of gross compensation to BVG (Pillar 2 pension) and is liable to Swiss social security contributions. Other relief or allowances may be available; therefore further advice should be sought if you would like a more accurate estimate of your annual tax liability.

Tax computation	Cantonal CHF	Federal CHF
Base Salary	150,000	150,000
Allowances	50,000	50,000
Total gross salary	**200,000**	**200,000**
Less —		
Social security (employee's share)	(12,100)	(12,100)
Pension contributions (employee's share)	(14,000)	(14,000)
Less — Deductions:		
General employment	(4,000)	(4,000)
Insurance deduction	(6,000)	(4,900)
Child allowance	(13,600)	(13,600)
Married allowance	(35,000)	(2,600)
Taxable income	**115,300**	**148,800**
Cantonal and community tax	27,100	
Federal tax	6,690	
Total Swiss tax liability	***33,790***	

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Appendix D – Special concessions for expatriates

Qualifying for expatriate regulation

The federal expatriate regulations regarding special business expenses have been in force since October 2003. They have been adopted by most Swiss cantons, although there are cantonal variations in how the regulations have been implemented. They apply only to foreign nationals working in Switzerland who are either:

- Executives (i.e. directors or members of the management board), who have been seconded to Switzerland for a temporary period of up to a maximum of 5 years transferred by their foreign employer;
- Specialists, who are seconded to Switzerland for a temporary period of up to a maximum of 5 years because of their special professional qualifications or specific know-how; or
- Foreign nationals who are self-employed in their home countries and who are employed in Switzerland to provide specific business services for a temporary period of up to a maximum of 5 years.

Such expatriates are also referred to as international assignees.

If an international assignee continues to work in Switzerland over the 5-year maximum period, then they will no longer be considered entitled to claim the special business expenses from the 6th year on.

Expatriate expenses

Once a foreign national qualifies as an international assignee, certain professional costs can be reimbursed free of Swiss tax. The following distinction is made to establish the scope of expenses that may be reimbursed tax-free:

a. International assignees still resident abroad

- Travel costs between the permanent home abroad and Switzerland;
- Temporary accommodation costs in Switzerland, i.e. hotel costs;
- Reasonable housing expenses in Switzerland provided the international assignee retains a household in the home country and does not rent it out.

b. International assignees resident in Switzerland

- Costs for transportation of the household goods to Switzerland and back to the home country plus travel costs for the travel of the employee and his family to and from Switzerland at the beginning and at the end of the assignment;
- Reasonable housing expenses in Switzerland provided the international assignee retains a household in the home country and does not rent it out;
- School costs for an international foreign-language school in Switzerland, if no suitable Swiss school is available.

The following expenses are not exempted from taxation:

- Cost of maintaining the permanent home abroad;

- Furnishing of Swiss housing;
- Legal assistance;
- Allowances intended to compensate for price differences between home and host country (i.e. Cost of living or COLA allowances).

Claiming expatriate expenses

It should be noted that the expatriate expenses may be reimbursed in addition to the general (fixed) business expenses allowance, although this is not the case in all cantons (e.g. Basel-City).

The expatriate expenses can be reimbursed on presentation of receipts or if the expenses are paid out through the monthly payroll either:

- A standard reimbursement of CHF 1,500 per month to cover any and all expatriate expenses; or if higher
- The actual expenses (actual receipts should be kept with the payroll administration in case of an audit).

If the employer pays the additional expatriate expenses directly on behalf of the employee, rather than reimbursing the expatriate through the payroll, the payment should be declared as income and an additional business expenses deduction claimed when filing the Swiss income tax return.

Expatriate rules of the Canton of Zurich

The Canton of Zurich implemented similar expatriate rules as the federal regulation, but from an earlier date. There follows below the potential differences between the federal and Zurich expatriate rules. In practice, however, the differences are not always strictly upheld. Frequently the federal rules are also applied at a cantonal/community level, as it is more practical to have a common taxable base.

To qualify for the expatriate status, the same conditions apply as under the federal regulation.

Developments regarding the double housing expenses

As mentioned earlier, a concession for "reasonable" (see below) double housing expenses is only available if household is maintained in the home country. Where the assignee rents out the property in his home country, he does not generally incur double housing expenses in Switzerland and no tax concession will therefore be available.

However, the Zurich authorities also grant a concession for partial double housing expenses, provided the permanent home abroad is rented out and the rental income is lower than reasonable Swiss housing expenses. In this case, the balance (rental income in the home country less Swiss housing expenses) is deductible.

Reasonable housing expenses

There has been much discussion about what amounts should be deemed reasonable expenses for Swiss housing. The Zurich authorities have expressed their interpretation as shown in the table below.

Salary	Reasonable annual housing cost for a single person	Reasonable annual housing cost for a married couple
120,000 - 249,000	30,000	42,000
250,000 - 499,000	42,000	54,000
500,000 - 999,000	54,000	66,000
1,000,000 >	66,000	78,000

Expatriate rules of the canton of Basel-City

The Canton of Basel-City adopted the federal regulations. Special rulings simplifying the application of the regulations have also been negotiated by a limited number of major employers in the canton.

Expatriate rules of the canton of Geneva (allowances for housing and representation costs)

An expatriate may be paid a tax-free allowance for housing costs. The Geneva cantonal authorities normally still accept an allowance equal to 10% of the base salary, subject to a cap of CHF 100,000, whereas the federal authorities accept a maximum allowance of CHF 18,000 based on the federal expatriate regulation regarding special business expenses for expatriates in force since October 2003. In addition, all employees with managerial functions (expatriates and long-term residents) may be paid a tax-free allowance for representation costs as long as their annual gross compensation exceeds CHF 150,000. The tax-free allowance ranges between 5-10% of base salary (10% for base salary exceeding CHF 250,000). There is a cap on the representation fees of CHF 100,000.

Social security and pension contributions

An international assignee may be exempt from paying Swiss social security contributions, if the following conditions are met:

- There is a social security agreement in force between Switzerland and the country of origin, and
- The employee will continue to be employed by the foreign employer, and
- The employee's stay in Switzerland is limited to between one and five years depending on the agreement.

A list of countries with which Switzerland has concluded a social security agreement is given in Appendix G.

In this case, the employer must apply for exemption from Swiss social security by filing a certificate of coverage in the home country and the employee must continue to pay contributions to the home country social security scheme. If an exemption from Swiss social security is allowed, then obligatory contributions to the home social security scheme can be deducted for Swiss tax purposes.

An expatriate on assignment to Switzerland for a period limited to between one and five years and exempted from Swiss social security is also exempt from BVG (Pillar 2 pension fund). Obligatory contributions to the foreign pension schemes, up to the amount of Swiss pension contributions, can normally be deducted for Swiss tax purposes.

The employment contract should be amended to reflect the terms and conditions of the secondment. There are a number of potential advantages to such arrangements including:

- The ability to continue participating in the home country benefit plans;
- The opportunity to claim exemption from Swiss tax under a double taxation agreement provided other conditions are also met;
- The opportunity to be exempt from Swiss social security contributions provided that other conditions are also met;
- The opportunity to take advantage of certain concessions for expatriates, providing the foreign national only expects to spend a few years in Switzerland and provided that they continue to be employed by the foreign employer.

Appendix E – Double-taxation agreements

Countries with which Switzerland currently has double-taxation agreements:

Country	Scope of application	Country	Scope of application
Albania	Income, Net Wealth	Latvia	Income, Net Wealth
Algeria	Income, Net Wealth	Liechtenstein	Income
Argentina	Income, Net Wealth	Lithuania	Income, Net Wealth
Armenia	Income, Net Wealth	Luxembourg	Income, Net Wealth
Australia	Income	Macedonia	Income, Net Wealth
Austria	Income, Net Wealth	Malaysia	Income
Azerbaidzhan	Income, Net Wealth	Mexico	Income
Bangladesh	Income	Moldova	Income, Net Wealth
Belarus	Income, Net Wealth	Mongolia	Income, Net Wealth
Belgium	Income, Net Wealth	Montenegro	Income, Net Wealth
Bulgaria	Income, Net Wealth	Morocco	Income
Canada	Income, Net Wealth	Netherlands	Income, Net Wealth
Chile	Income, Net Wealth	New Zealand	Income
China, P.R.	Income, Net Wealth	Norway	Income, Net Wealth
Croatia	Income, Net Wealth	Pakistan	Income
Czech Republic	Income, Net Wealth	Philippines	Income
Denmark	Income, Net Wealth	Poland	Income, Net Wealth
Ecuador	Income, Net Wealth	Portugal	Income, Net Wealth
Egypt	Income	Qatar	Income
Estonia	Income, Net Wealth	Romania	Income, Net Wealth
Finland	Income, Net Wealth	Russian Federation	Income, Net Wealth
France	Income, Net Wealth	Serbia	Income, Net Wealth
Germany	Income, Net Wealth	Singapore	Income, Net Wealth
Greece	Income	Slovak Republic	Income, Net Wealth
Hungary	Income, Net Wealth	Slovenia	Income, Net Wealth
Iceland	Income, Net Wealth	South Africa	Income
India	Income	Spain	Income, Net Wealth
Indonesia	Income	Sri Lanka	Income, Net Wealth

Country	Scope of application	Country	Scope of application
Iran	Income, Net Wealth	Sweden	Income, Net Wealth, Inheritance
Ireland, Rep. of	Income, Net Wealth	Thailand	Income
Israel	Income, Net Wealth	Trinidad and Tobago	Income
Italy	Income, Net Wealth	Tunisia	Income
Ivory Coast	Income	Ukraine	Income, Net Wealth
Jamaica	Income	United Kingdom	Income, Net Wealth
Japan	Income	United States	Income, Net Wealth
Kazakhstan	Income, Net Wealth	Uzbekistan	Income, Net Wealth
Korea, Rep. of	Income	Venezuela	Income, Net Wealth
Kuwait	Income, Net Wealth	Vietnam	Income, Net Wealth
Kyrgyzstan	Income, Net Wealth		

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Appendix F – Countries whose citizens can obtain a C permit after five years' continual residence

Countries whose citizens can obtain a C permit after five years' continual residence

Andorra	France	Liechtenstein	San Marino
Austria	Germany	Luxembourg	Spain
Belgium	Greece	Monaco	Sweden
Denmark	Iceland	Netherlands	United Kingdom
Canada	Ireland	Norway	United States
Finland	Italy	Portugal	Vatican City

This list is currently under evaluation by the federal authority.

Citizens of other countries are issued a C permit after ten years’ continual residence. However, a C permit may be issued upon application prior to the end of this term, in case of good and successful integration.

Holders of C permits are not subject to restrictions regarding the canton of their employment.

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Appendix G – Social security reciprocal agreements

Social security reciprocal agreements

Australia	Greece	Philippines
Austria	Hungary	Poland
Belgium	Iceland	Portugal
Bulgaria	Ireland	San Marino
Canada & Quebec	Israel	Slovak Republic
Chile	Italy	Slovenia
Croatia	Latvia	Spain
Cyprus	Liechtenstein	Sweden
Czech Republic	Lithuania	Turkey
Denmark	Luxembourg	United Kingdom
Estonia	Macedonia	United States
Finland	Malta	Ex-Yugoslavia*
France	Netherlands	
Germany	Norway	

* Bosnia and Herzegovina, Kosovo, Montenegro, Serbia

+ 2 Multilateral agreements:

1) Between CH, Belgium, Germany, France, Luxembourg, Netherlands (Rheinschiffer);

2) Between CH, Austria, Liechtenstein)

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Appendix H – Switzerland contacts and offices

Offices & contacts	
Basel PricewaterhouseCoopers AG St Jakobs-Strasse 25 CH-4052 Basel Switzerland Tel: [41] (58) 792 5100 Fax: [41] (58) 792 5110 Contact: **Karin Verheijen** Tel: [41] (58) 792 5040 Fax: [41] (58) 792 5050 Email: karin.verheijen@ch.pwc.com	**Geneva** PricewaterhouseCoopers SA Avenue Giuseppe-Motta 50 CH-1211 Geneva 2 Switzerland Tel: [41] (58) 792 9100 Fax: [41] (58) 792 9110 Contact: **Pascal Dewarrat** Tel: [41] (58) 792 9579 Fax: [41] (58) 792 9279 Email: pascal.dewarrat@ch.pwc.com
Lausanne PricewaterhouseCoopers SA Avenue C.-F. Ramuz 45 CH-1001 Lausanne Switzerland Tel: [41] (58) 792 8100 Fax: [41] (58) 792 8110 Contact: **Pascal Dewarrat** Tel: [41] (58) 792 9579 Fax: [41] (58) 792 9279 Email: pascal.dewarrat@ch.pwc.com	**Zug** PricewaterhouseCoopers AG Grafenauweg 8 CH-6304 Zug Switzerland Tel: [41] (58) 792 6800 Fax: [41] (58) 792 6810 Contact: **Andrew Chapman** Tel: [41] (58) 792 5021 Fax: [41] (58) 792 5050 Email: chapman.andrew@ch.pwc.com
Zurich PricewaterhouseCoopers AG Birchstrasse 160 CH-8050 Zurich Switzerland Tel: [41] (58) 792 4400 Fax: [41] (58) 792 4410 Contact: **Andrew Chapman** Tel: [41] (58) 792 5021 Fax: [41] (58) 792 5050 Email: chapman.andrew@ch.pwc.com	

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