

# Intercantonal and international change of residence



**A change of residence can have far-reaching consequences under administrative, tax, inheritance, and pension law. For this reason it must be carefully planned.**

## Principle

A change of residence entails a great deal of administrative red tape. What's more, different cantonal and international tax laws could have material tax implications. A targeted analysis of the consequences of and best time for a planned change of residence is therefore always worth your while.

## What must be done and considered for an intercantonal change of residence?

- Informing the current and future municipalities and the competent authorities that you are moving to a different canton (e.g. old and new schools, residents' registration authorities, electricity provider, driver and vehicle licensing department, health insurance, other insurers, subscriptions, bank/post office, etc.)
- When you change cantons, your place of residence as of December 31 applies to the whole calendar year for tax purposes, i.e. the tax return for the whole calendar year must be submitted to the new canton. Exception: Real estate is taxed in the canton where it is located.

- Special rules apply to individuals subject to tax at source who change cantons and should be reviewed accordingly.
- The date on which the payment is due or received is used to determine where lump-sum withdrawals from the pension fund or a Pillar 3a scheme must be taxed.
- In Switzerland, the cantons are entitled to levy inheritance taxes and gift taxes. When assessing liability for inheritance tax, the last domicile of the testator generally applies. In the case of donations and advancements, the domicile of the donor applies. Exception: If real estate is owned, the canton where the property is located is entitled to levy tax on it.

## What must also be considered for an international change of domicile?

- Taxpayers are liable for Swiss tax for that part of the year until they move away or from the date on which they move to Switzerland (annualization of regular payments to calculate the income that determines the tax rate). Wealth tax is levied on a pro rata basis.
- This obligation to pay tax for part of the calendar year means that the date of payment applies for the tax-deductibility of purchases of additional pension fund benefits and/or Pillar 3a purchases. As a result, a purchase of pension fund benefits one day after moving away from Switzerland or one day before moving to Switzerland will not have any tax consequences in Switzerland (even though payment was made in the same calendar year).
- If the vested pension benefits are withdrawn in cash before leaving Switzerland, the payment is taxed at the taxpayer's place of residence. If the cash withdrawal is made after the taxpayer has left Switzerland, the payment is taxed at the registered office of the pension fund/vested benefit foundation (withholding tax). It may be possible to reclaim the Swiss withholding tax under an existing double taxation agreement. Any foreign tax obligations must be investigated separately. We would suggest consulting a tax advisor in the country to which you are moving.
- Foreign employees resident in Switzerland who do not have a permanent residence permit C and are also not married to someone who has a permanent residence permit C or Swiss citizenship are subject to tax at source (please note that cantonal law may require a supplementary or subsequent assessment procedure).

- For managerial employees and specialists who are working in Switzerland temporarily, the conditions for the deductibility of special professional expenses (e.g. costs of moving, double accommodation costs, travel costs, school expenses for children) must be investigated. In some cantons new residents can apply for expenditure-based taxation (see separate fact sheet on this topic).
- Because of different international estate and gift tax laws as well as existing double taxation agreements, a change of residence can have very different consequences. The country in which the property is located has tax sovereignty for real estate. For more information we would suggest investigating the situation in advance for all countries involved in the move.

### **What are the risks of a move/what should be considered when moving?**

- The consequences of moving under tax, pension, and inheritance law as well as tax optimization potential.
- Possibilities for and restrictions on the acquisition of real estate in Switzerland.
- Double taxation risks affecting employee participation plans (depending on the countries involved).
- Tax-optimized structuring of foreign investments (e.g. foreign withholding tax).
- It is a good idea to investigate any foreign tax obligations (e.g. departure, inheritance and gift taxes as well as continued tax obligation after departure) in all countries involved.

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### **Contact us**

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