In most cantons in Switzerland, foreigners immigrating to Switzerland for the first time or returning to Switzerland after at least ten years have the option of lump-sum taxation. This system opens up attractive planning possibilities. Our experts can help you to identify a suitable domicile and to conduct the negotiations with the tax authorities.

What’s It About?
Lump-sum taxation enables taxpayers to establish the assessment basis for income and wealth tax with the tax authorities in advance (on a lump-sum basis). In 2014, 5,634 individuals generated tax receipts of CHF 695 million.

Conditions
The federal government regulates the minimum standards that the cantons have to adhere to. According to these, an application for lump-sum taxation can be made if the persons subject to tax:
- are not Swiss citizens;
- are immigrating to Switzerland for the first time or are returning to Switzerland after at least ten years;
- have no gainful employment in Switzerland.

In the case of married couples, both partners must meet these conditions. According to current legal provisions, gainful employment abroad is not incompatible with asset management in Switzerland.

Duration of Lump-Sum Taxation
Individuals can avail themselves of lump-sum taxation for an unlimited period, provided the relevant conditions are met. As soon as a taxpayer acquires Swiss citizenship or becomes gainfully employed in Switzerland, the right to lump-sum taxation expires. In certain cantons taxpayers who have agreed on lump-sum taxation have the option each year to decide whether they wish to be subject to ordinary taxation for this tax period.

Assessment Basis
In principle, the tax is calculated on the basis of the taxpayer’s annual living costs in Switzerland and abroad during the assessment period. Since January 1, 2016, however, the direct Federal tax amount has been assessed at least on the basis of the highest of the following amounts:
- For taxpayers with their own household: seven times the taxpayer’s annual rent or rental value.
- For all other taxpayers: three times the annual full-board cost of board and lodging in the place where they are staying.
- A minimum of CHF 400,000 for direct federal taxation. The cantons are also obliged to establish a minimum assessment basis.

The tax is calculated on the basis of ordinary taxation rates. The assessment basis should be agreed on an individual basis with the tax authority responsible through a tax ruling.

Control Calculation
If the assessment basis in the control calculation is higher than the living costs calculated using the principles specified above, the amounts in the control calculation shall apply. The determining income and assets in the control calculation are the total income received from Swiss sources during the tax period and all property located in Switzerland owned by the taxpayer and by the persons he/she represents in tax matters at their value on December 31:
- income and wealth from immovable property located in Switzerland, from movable property located in Switzerland, and from movable capital assets invested in Switzerland, including income from mortgage-backed receivables;
- income from copyrights, patents, and similar rights that is realized in Switzerland;
- pensions derived from Swiss sources;
- income and assets from foreign sources: income for which the taxpayer claims full or partial relief from foreign taxes owing to a double-taxation agreement concluded by Switzerland.
Only the following deductions may be made from these gross amounts:

- The costs of maintaining and managing immovable property located in Switzerland and the costs of the normal management of securities and assets, the income from which is taxed.
- The deduction of capital debts and debit interest is excluded.

**Modified Lump-Sum Taxation**

In principle, individuals who pay lump-sum tax rather than ordinary income tax have no entitlement to flat-rate credits of non-recoverable foreign withholding taxes. One exception to this principle relates to the double-taxation agreements (DTA) with Belgium, Germany, Italy, Canada, Norway, Austria, and the United States. Natural persons who benefit from lump-sum taxation but who pay the full tax on all income from these contracting states at the same rate as on their overall income can claim flat-rate tax credits for the income originating in these states.

**What Else Must Be Taken into Account?**

- The cantons are obliged to take the taxpayers’ wealth situation into account as part of lump-sum taxation.
- In principle, there is no right to flat-rate credits of non-recoverable foreign withholding taxes in accordance with DTAs. One exception is modified lump-sum taxation.
- If the taxpayer waives the right to tax credits despite the modified lump-sum taxation, net income can be declared.
- Lump-sum taxation has so far been abolished in the cantons of Appenzell Ausserrhoden, Schaffhausen, Zurich, and both Basel cantons.

**Transitional Arrangements between January 1, 2016 and December 31, 2020**

Taxpayers who availed themselves of lump-sum taxation prior to January 1, 2016 can benefit from the provisions of the old law for a maximum of five years. After December 31, 2020, the current legal provisions also apply to these taxpayers.

**Contact Us**

We will be happy to arrange a personal consultation. Contact your advisor or arrange a consultation at: credit-suisse.com/financialplanning

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