

Penalty-Free voluntary declaration – Guide for natural persons

Swiss tax law allows taxpayers to make a one-time voluntary declaration with no penalties. Our experts recommend taking advantage of this opportunity. This information sheet is meant to help you submit your own voluntary declaration. It is no substitute for a consultation with an expert, however.



Basic Principles

Any penalty is waived the first time that a taxpayer declares an evasion of taxes, although tax adjustments and default interest are still owed.

A voluntary declaration is when a taxpayer reports of his/her own accord and at least in outline terms that the result of a previous assessment procedure was too low because the tax return was accidentally or intentionally completed incorrectly. In contrast, adding previously undeclared assets to the tax return without making any comments is not voluntary declaration.

What requirements are there for a penalty-free voluntary declaration?

In order to be exempt from penalties, the following conditions must be met:

- No tax authority must be aware of the tax evasion at the time that the taxpayer reports it.
- The taxpayer must fully and actively assist the tax authorities with determining the untaxed income and assets. All data must thus be disclosed and the corresponding supporting documents must be submitted.
- The taxpayer must make an earnest effort to pay the tax adjustments and default interest.
- The taxpayer is required to confirm in writing to the tax authorities that he uses this instrument for the first time.

Provided that all the requirements are met, the fine for tax evasion is waived. Any criminal prosecution for tax fraud and the associated forgery of documents is also waived. The exemption from penalties also applies to other parties involved (e.g. accessories, abettors, and accomplices). Tax adjustments, i.e. the evaded taxes, are applied retrospectively for up to a maximum of ten years and collected along with interest on arrears by the tax authorities.

What risks are there, and what else do I need to consider?

Penalty-free voluntary declaration does not apply to any other taxes (e.g. value-added tax, withholding tax, real estate transfer tax, real estate gains tax, as well as inheritance and gift taxes) and any social insurance contributions (Old Age and Survivors' Insurance contributions for unemployed persons, unemployment insurance contributions, etc.). These are still due. Subsidies granted in the past (e.g. health insurance fund assistance by the canton) may also prove to be unfounded later on and may be required to be reimbursed, which can result in additional costs.

If this is the first voluntary declaration being made and the above legal requirements are met, no criminal prosecution is carried out. The fine for each additional voluntary declaration is 20% of the taxes negligently or intentionally evaded.

Any fine for past tax evasion is generally equal to the amount of the evaded taxes. This fine can be reduced to one-third in the event of minor fault, and increased up to three times the amount in the event of serious fault.

What do I need to consider for a penalty-free voluntary declaration?

- Most cantons have prepared an information sheet on penalty-free voluntary declarations that should be taken into account.
- It should be noted that listing previously undeclared income and assets on your tax return without making any comments does not qualify as voluntary declaration.
- In order to have proof, it is recommended to submit your voluntary disclosure by registered mail. Furthermore, the taxpayer must confirm in writing the first-time application for the voluntary disclosure.
- No reason for providing a voluntary declaration is required.
- It may be advisable to consult with an expert.
- Payment of the tax adjustment amount is an essential component of the tax adjustment process.

How should I proceed?

- The tax adjustment process covers the ten previous tax years (e.g., if it is 2018, up to and including the 2008 tax return) or the undeclared tax periods.
- It is strongly recommended that all undeclared income and assets be summarized in a list and backed up by relevant documents, e.g.:
 - Securities: preferably by tax statements (assessed tax reports) or safekeeping account statements
 - Bank accounts: statements of interest and capital, credit advices for income with no attestation (e.g. leasing payments, rental income, etc.)
 - Tax certificates for pensions (including foreign pensions), salary certificates (including from secondary employment)
 - Income from self-employment: bookkeeping, itemized income and expenses as well as assets and liabilities
 - Life insurance policies: attestation of taxable values for wealth tax purposes
 - Foreign property: copy of contract of sale, cadastral value certificate, information on rent if rented out, evidence of mortgage interest and debt on mortgage as well as any current estimates of the property's market value
 - All income and assets are to be indicated in Swiss francs (CHF). Where assets in foreign currencies are to be converted into Swiss francs, the foreign exchange rates as published by the Swiss Federal Tax Administration (FTA) must be used. For assets, the (year-end) rate as at 31 December applies; for income, the annual average rate is relevant.
- If foreign documents are in a foreign language, it is recommended that you mark the relevant passages and have the most important passages translated.
- No original documents should be submitted to the tax authorities; only copies.

CREDIT SUISSE (Switzerland) Ltd.

CH-8070 Zurich
credit-suisse.com

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