

# Making your Relocation a Success

Swiss Lump-sum Taxation



# Introduction

Relocating to Switzerland offers unique opportunities, especially for wealthy individuals looking for favourable tax regimes. Among these, the Swiss lump-sum taxation method stands out as an attractive option. This system is designed for certain non-Swiss residents who are considering making Switzerland their new home. This guide provides an overview of the lump-sum taxation system, its benefits, requirements, and practical implications.



## Eligibility Criteria

Lump-sum taxation serves as an alternative to the ordinary income and wealth tax system and is specifically available to:

- Individuals who are not Swiss citizens,
- Those who have not previously resided in Switzerland,
- Individuals who do not engage in any gainful activity within the country.

For couples, both partners must meet these criteria. To secure this tax regime, qualifying individuals must obtain a tax ruling from the cantonal tax authorities where they plan to reside.

## Taxation Basis

Under this regime, taxable income is primarily determined by the annual cost of living for the individual and their family in Switzerland and abroad, rather than their actual income. This includes living expenses for the spouse and any dependents in the same household.



# Minimum Taxable Income

The least amount of taxable income per year will be the highest of the following:

- Annual living costs in Switzerland and abroad,
- The federal baseline of CHF 429,100 with effect from 01.01.2024 (with cantons setting their own minimums),
- Seven times the annual rent of the taxpayer's residence,
- The total annual income from Swiss sources and treaty-protected income.

# Wealth Tax Considerations

Taxable wealth is generally calculated as a multiple of the taxable income, sometimes adjusted by a markup on the taxable income amount. The actual wealth of the taxpayer is not necessarily taken into consideration.



# Final Tax Burden

Ordinary tax rates apply to the determined amounts of taxable income and wealth. Tax obligations for foreign-sourced income that benefits from double tax treaties (such as reduced foreign withholding taxes or tax credits) must be declared and may affect the total taxable income.

## Exceptions and Exclusions

It's important to note that the lump-sum tax regime does not exempt individuals from gift and/or inheritance tax, capital gains tax on Swiss real estate, or land tax.

## Regional Variations

Five cantons, including Zurich, both Basel-Land and Basel-City, Schaffhausen, and Appenzell Ausserrhoden, have abolished the lump-sum tax regime.



## Practical Insights

Please contact us should you wish to receive more information regarding the minimum amounts of taxable income and taxable wealth applicable in various cantons under the lump sum tax regime as well as the corresponding annual tax burden (as per 2023) on these minima for a married couple in the capital city of the canton (without church tax). Experience shows that these minimums rarely exceed other possible calculations, especially for those with a high-end lifestyle. In some cantons, a percentage of worldwide wealth is used to gauge "annual living expenses."

## Conclusion

Understanding and navigating the lump-sum taxation system is crucial for wealthy individuals planning to relocate to Switzerland. While this system offers significant tax advantages, it is complex and varies by region, necessitating careful consultation with professional tax advisors.



## Contact



### **Ralph P. Schuler**

Partner, CEO of swisspartners Xperts AG

Direct line: +41 58 200 04 60

Mobile: +41 79 403 94 17

[ralph.schuler@swisspartners.com](mailto:ralph.schuler@swisspartners.com)



### **Sanjeev Premchand**

Partner

Direct line: +41 58 200 05 05

Mobile: +41 79 377 19 99

[sanjeev.premchand@swisspartners.com](mailto:sanjeev.premchand@swisspartners.com)



# Disclaimer

This document is provided for information purposes only and does not constitute an offer, solicitation or recommendation on the part of swisspartners Group AG respectively their group companies (hereinafter swisspartners).

The content is based on proprietary insights as well as publicly accessible sources deemed reliable by swisspartners. Any use of this presentation requires the written approval of swisspartners.

swisspartners does not guarantee the accuracy, completeness, or timeliness of the information provided herein and accepts no liability therefor. At the most, the information provided cannot replace a personal consultation. No liability whatsoever shall be accepted for any damage or losses incurred as result of the use of this document.

