

Making your Relocation a Success

Swiss Tax System



Introduction

When considering a move to Switzerland, understanding the local tax system is crucial for effective financial planning. Switzerland's unique tax structure is characterised by a dual-level system, where taxes are levied both federally and at the cantonal and municipal levels. This guide provides an overview of how the Swiss tax system functions and outlines key considerations for newcomers.



The System

In Switzerland, taxes are levied at two distinct levels: the federal level, and the cantonal and municipal level. Swiss federal tax is uniform throughout Switzerland, but each of the 26 cantons have their own tax laws and levy different levels of taxes on income, wealth, inheritance, capital gains, and real estate capital gains, as well as other tax objects.

The Federal Law on Tax Harmonization limits disparities between the cantons. However, tax rates and personal tax allowances vary widely among the cantons due to this law not affecting these areas. Consequently, the choice of one's canton of residence is crucial for tax planning.



Personal Income Tax

The tax year aligns with the calendar year. Married couples have a joint filing obligation and are assessed jointly. Residents are taxed on their worldwide income under the ordinary system, except for profits from foreign businesses, foreign branches, and foreign immovable property. Expenses incurred in conjunction with the earning of income are generally deductible from the gross income. Additionally, there are several general deductions (e.g., interest on loans, alimony) and social allowances.

Dividends from qualifying participations enjoy privileged taxation at both the federal and cantonal/municipal levels. While capital gains from the sale of movable assets are generally tax-free, with some exceptions, gains related to business assets are taxed as ordinary income. Capital gains from the sale of privately held real estate are taxed at the cantonal and municipal levels, but not at the federal level.



Income Tax Rates

Taxable income is subject to progressive tax rates. Married couples living together and single-parent families benefit from a reduced tax scale. Some cantons have introduced flat rates. The maximum federal income tax rate for individuals is 11.5%, applied to a married couple on net income exceeding CHF 928,600, or for a single person on CHF 783,300. Cantonal and municipal taxes vary considerably, with combined tax rates in some places, like Geneva, reaching up to 45%.

The lowest combined rates for federal, cantonal, and communal taxes can be found in certain communities in the Cantons of Central Switzerland, such as Zug and Schwyz, amounting to around 22%.

Net Wealth Tax

The cantons and municipalities, but not the federal government, levy a wealth tax on worldwide net assets, excluding foreign real estate or business establishments. This tax includes both movable and immovable assets such as bank deposits, securities, and real estate, net of outstanding debt. Taxes are also levied on assets not yielding any income, with rates ranging from 0.1% to 1%.



Gift and Inheritance Tax

There is no gift or inheritance tax at the federal level. All cantons except Schwyz and Obwalden levy an inheritance tax, and all except Schwyz, Obwalden, and Lucerne levy a gift tax. However, most cantons provide exemptions for spouses and children. The domicile of the donor or the deceased individual determines the canton entitled to levy these taxes, irrespective of the domicile of the recipient. Tax rates are typically progressive and vary widely, also depending on the relationship between the donor/deceased and the beneficiary.

Conclusion

Navigating the Swiss tax landscape requires a thorough understanding of both federal and cantonal regulations. As tax rates and allowances differ significantly across various cantons, selecting an appropriate tax domicile can have a substantial financial impact. Whether you are planning to move to, or already reside in Switzerland, it is advisable to obtain professional tax advice.



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