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SWITZERLAND

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0- SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS NON-RESIDENTS
CORPORATE INCOME TAX	
Federal	Basic rate of 8.5% (for non-residents only on income accrued in Switzerland)
Cantonal and communal	From 6% to 24%
TAXES ON CAPITAL GAINS	Taxed as income
WITHHOLDING TAXES	
Dividends	35% or participation exemption 35% reducible
Interest	35% 35% reducible
Royalties	0% 0%
PERSONAL INCOME TAX	Federal + cantonal + communal: 24%-43% on an income of CHF 1m Non-residentis taxed only on Swiss income
OTHER TAXES	
Cantonal real estate tax	From 0.1% to 0.4% on the estate value depending on the canton
Stamp duty	1% on the issue of shares
Swiss church tax	From 0.2% to 23% depending on the canton
VAT	8.1%, 3.8%, 2.6%
LOSSES	
Carried forward	7 years
Carried back	Not applied
DEPRECIATION	
Fixed assets	Industrial buildings: 8% Plant and machinery: 30-40%
Intangible assets	40%

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Stock corporation (Aktiengesellschaft (AG), Société anonyme (SA), Società anonima (SA)	A stock corporation is a separate legal entity formed by 1 or more individuals or companies. The capital is divided into shares. The shareholders have no personal liability beyond their subscribed share capital. The minimum share capital is CHF100,000 and the minimum nominal value of a share is CHF0.01. Articles of incorporation govern the operation of a stock corporation, and a board of directors oversees the business activities of a stock corporation. At least one person domiciled in Switzerland must represent the company. This person may be a member of the board or an executive officer. Corporations must file yearly tax returns at the end of their accounting year. Income taxes are levied at the federal, cantonal and municipal levels. Wealth tax is levied by cantons and municipalities. Profits are taxed twice: once at the company level when the profits are earned and a second time in the hands of the shareholders when the profits are distributed.	One or more individuals or commercial entities may incorporate a company. A stock corporation must be registered at the Register of Commerce.	The scope of the audit of the financial statements of a company is based on the size of the company. A full scope audit occurs if the company meets 2 or more of the following conditions: • turnover is greater than CHF40 million • total balance sheet is greater than CHF20 million, and • average number of employees is greater than 250. A full scope audit is mandatory for quoted companies and for companies with quoted debt instruments. If a company has less than 10 employees, it can choose not to be audited.
Limited liability company (Gesellschaft mit beschränkter Haftung (GmbH), Société à responsabilité limitée (Sàrl), Società a garanzia limitata (Sagl))	A limited liability company is formed by 2 or more individuals or commercial entities. A limited liability company has a fixed registered capital that does not consist of shares of stock. The members of a limited liability company are responsible for the company's liabilities up to the amount of the registered capital. The minimum capital of a limited liability company is CHF20,000. The capital units cannot have a nominal value less than CHF100. Limited liability companies are subject to tax in the same way as stock corporations. The same tax rules apply at all taxation levels.	The limited liability company is governed by articles of incorporation and acquires the status of legal entity upon entry in the Register of Commerce.	The scope of the audit of a limited liability company is the same as that of a stock corporation.
Sole proprietorship	A sole proprietorship is not a separate legal entity. A sole proprietor is an individual who owns and operates a business. The sole proprietorship's assets are considered a part of the individual owner's assets. The sole proprietor is liable for debts of the sole proprietorship.		From a tax point of view, a sole proprietorship is taxed in the same manner as a partnership. The individual owner pays tax on the sole proprietorship's income.
Limited partnership for collective investment	It is basically a limited partnership used for fund management and other investment vehicles. Its general partner must be a corporation, and the limited partnership must have at least 5 qualified investors as limited partners. Qualified investors include financial intermediaries under the surveillance of an authority (eg banks), insurance companies, pension funds, corporations conducting the activity of cash management, high net-worth individuals, and investors that have signed a portfolio management agreement with a bank. General partners must have a minimum paid up capital of CHF100,000. Partners share the profit of a partnership according to the partnership agreement and the partners pay tax on the partnership's profit and income, together with their other personal income items.		

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
General partnership (Kollektivgesellschaft, Société en nom collectif, Società in nome collettivo)	A general partnership is composed of 2 or more natural persons. A partnership may, under its own name, acquire rights and obligations. Partners are jointly and severally liable with their whole property for the debts of the partnership. Partners share the profit of a partnership according to the partnership agreement and the partners pay tax on the partnership's profit and income, together with their other personal income items.	A partnership must register in the Register of Commerce.	
Limited partnership (Kommanditgesellschaft, Société en commandite, Società in accomandita)	A limited partnership is composed of 2 or more individuals or commercial entities. At least one of the partners must have unlimited liability for the debts and obligations of the limited partnership (general partner). The liability of limited partners is limited to their fixed capital contributions. A limited partnership is not a separate legal entity, but it can acquire rights and assume liabilities. It may sue or be sued. Partners share the profit of a partnership according to the partnership agreement and the partners pay tax on the partnership's profit and income, together with their other personal income items.	General partners must be natural persons; however, limited partners may be either natural persons or business entities.	
Limited partnership with shares (Kommanditaktiengesellschaft (KAG), Société en commandite par actions (SCA), Società in accomandita per azioni (SAA))	It is a company with a share capital in which one or more shareholders have unlimited liability similar to partners of a general partnership. The rules applicable to corporations also apply to limited partnerships with shares for commercial law and for tax laws (eg double taxation, etc). This type of entity is very seldom used in Switzerland.		The scope of the audit of a limited partnership with shares is the same as that of a stock corporation.
Cooperative (Genossenschaft, Société coopérative, Società cooperativa)	A cooperative is the union of an unlimited number of persons or commercial enterprises organised as an entity with the main purpose of guaranteeing specific economic interest of its members. There is no predetermined capital requirement and the liability is limited to the registered capital. Cooperatives are subject to the same taxation rules as stock corporations.	A cooperative comes into existence upon registration in the Register of Commerce.	At least 7 members must participate at the formation of a cooperative.

2- WHEN SWISS COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

A business entity is a resident of Switzerland if it is incorporated in Switzerland or has its effective place of management in Switzerland, that is the location where the entity performs the activities required to reach its statutory purpose. Administrative activities such as bookkeeping do not constitute effective management.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

Many foreign businesses choose Switzerland as a location for their administration or liaison offices, that is a group entity that is located in Switzerland and that provides services to all entities that are part of the group.
Group service companies located in Switzerland must realise a minimum taxable income on which tax authorities calculate the net taxable income as a percentage of the expenses, with a minimum margin of 5%. The taxpayer may ask for a lower margin if they can demonstrate that the actual margin realised by companies engaged in similar activities is lower than 5%.

Moreover, the tax administration may increase such percentage if it can demonstrate that market prices are higher. This may happen when a company also has third party customers that it bills at higher rates.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN SWITZERLAND: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

Non-residents are subject to Swiss tax on Swiss trading or business profits unless they are trading or doing business in Switzerland through a PE or a dependent agent with power to conclude contracts.

A Swiss branch's taxable trading profits and capital gains are computed on the same basis as those of a Swiss resident company. The cantons have progressive rates that vary by canton. In practice, the maximum cantonal tax rate is used when it is not possible to get all the necessary information.

In Switzerland, a permanent establishment is defined as any fixed installation in which all or part of the activity of a company or a person exercising a liberal profession is carried out. Branches, factories, workshops, sales counters, permanent representations, mines and other places of exploitation of natural resources, as well as construction or assembly sites open for at least 12 months, are considered to be permanent establishments.

5- CALCULATING TAXABLE INCOME

Trading profits are calculated on an accrual basis in accordance with the taxpayer's financial accounts and in compliance with Swiss accounting standards. Trading profits are generally equal to the net accounting result of the entity.

The following items are deductible:

- commercially justified expenditures;
- commercially justified travel and representation costs;
- pension plans;
- charitable donations;
- interest and patent and copyright royalties;
- discounts on deep discout bonds;
- cantonal taxes for federal tax purposes.

In calculating ordinary income for Swiss tax purposes, a taxpayer may include realised or unrealised currency gains and losses on long-term assets and liabilities, as well as rents and interest.

Switzerland fully taxes foreign source income of resident businesses, but foreign branch profits are exempt.

From 1 January 2020, a special deduction of up to 150% applies at the cantonal level for qualifying research and development (R&D) expenses.

6- TREATMENT OF LOSSES

Taxpayers may offset both trading losses and capital losses against all income and capital gains earned and received in the same accounting period.

Taxpayers may carry forward losses to offset future profits for a period of 7 years for Swiss federal and cantonal tax purposes, but cannot carry back losses.

When there is a change in the ownership of a company, the previous years' tax losses may be carried forward and offset future net income provided that the company continues to pursue its statutory goal.

Taxpayers may offset losses of a foreign branch against Swiss profits in certain circumstances.

7- IS INTEREST DEDUCTIBLE?

Taxpayers generally may deduct interest payable on an accrual basis. Interest paid to affiliates and shareholders or other related persons is deductible if the interest rate and other terms of the transaction correspond with arm's length commercial conditions.

Interest payments on loans exceeding the debt/equity ratio are not deductible: they are regarded as a constructive dividend and are subject to 35% withholding tax. Where there is a constructive dividend, tax treaties will invariably reduce the 35% withholding rate.

From 1 January 2013 to 31 December 2026, domestic and foreign investors who are not resident in Switzerland are exempt from withholding tax on interest on all bonds and money market papers for a 4-year period.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

Taxpayers may deduct the cost of business assets utilising depreciation over a period of years according to either the straight line or declining balance method.

Once a taxpayer chooses a method of depreciation, they must adhere to that method for the life of the asset and Swiss tax authorities must approve changes in the method of depreciation.

The Swiss tax authorities periodically publish rates of depreciation for direct federal tax purposes and, generally, the cantons use these rates as well.

Short working life and hard usage justify depreciation exceeding these general rates.

The depreciation percentages applicable for the declining balance method are listed below:

- apartment blocks owned by immovable property corporations and employee housing owned by employers:
  buildings 2%
  buildings including land 1.5%
- commercial property, such as office and bank buildings, department stores and movie theatres:
  buildings 4%
  buildings including land 3%
- hotel and restaurant buildings:
  buildings 6%
  buildings including land 4%
- factories, storage buildings and industrial immovable property:
  buildings 8%
  buildings including land 7%

If taxpayers only use a building partly for business purposes, they must reduce depreciation deductions accordingly. If taxpayers use a building for different business purposes, they should account for all applicable rates:

- Water conduits for industrial purposes, fixed storage tanks 20%
- Mobile storage tanks and containers 20%
- Office equipment and furniture 25%
- Rolling stock of all kinds, except motor vehicles including trailers 30%
- Manufacturing machinery and installations 30%
- Motor vehicles of all kinds 40%
- Machinery used in multi-shift operations, eg heavy stone-working machinery or road-working machinery 40%
- Machinery subject to highly damaging chemical effects 40%
- Office machines 40%
- Hardware and software 40%
- Intangible assets that produce income, such as patents, rights to use a firm's name, copyrights, licences, goodwill 40%
- Automated steering systems, safety installations,

electronic measuring and testing equipment	40%
• Hand tools, handcrafters’ utensils, scaffolding material	45%
• Hotel and restaurant crockery and linen	45%

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

For Swiss federal, cantonal and municipal tax purposes, taxpayers may deduct all taxes, including income tax, due in the accounting period in computing their taxable profits for the period.

Federal income tax

Switzerland levies federal tax on the profits and gains of resident and non-resident corporations at a rate of 8.5% of the profit after tax for 2024. Taxpayers may deduct tax payments, so the effective rate is 7.8%. This rate has been in effect since 2006.

The tax basis for resident businesses is the net income realised by the entity. The tax basis of a non-resident business is the income taxable in Switzerland (net income of the Swiss branch and net income on real estate located in Switzerland).

Cantonal and municipal taxes

The cantonal and municipal taxes are more significant than the federal tax in Switzerland and vary between about 6% and 24%, according to the canton and the municipality.

The tax basis for resident businesses is the net income realised by the entity. The tax basis of a non-resident business is the income taxable in Switzerland (net income of the Swiss branch and net income on real estate located in Switzerland).

The rates are usually determined on the basis rate fixed by law and a multiplier for each municipality. Multipliers are subject to change annually.

Before 1 January 2020, most cantons provided for full or partial exemption from cantonal and communal taxes for certain types of companies, namely holding companies and administrative companies.

Companies benefit from an effective corporate income tax exemption at the federal and cantonal levels in respect of dividends and capital gains received under the participation relief. The tax exemption is achieved by reducing corporate income tax payable by the proportion of qualifying dividends and capital gains received compared to total net income.

For dividends, the participation relief applies if the company holds at least 10% of the paying company’s share capital, or has a participation in the paying company which has a market value of at least CHF1 million.

For capital gains, the participation relief applies if the gain results from a participation representing at least 10% of another company’s share capital that was held for at least one year. Subsequent gains that do not satisfy the holding requirement may only benefit from the participation relief if the company’s participation in the other company has a market value of at least CHF1 million at the end of the preceding fiscal year.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

Each company in a group is treated as a separate legal entity for Swiss tax purposes. Switzerland has no provision for consolidation of a group's accounts for tax purposes. Transactions between group members have the same tax effects as transactions with third parties, except in some reorganisation schemes. Reorganisation schemes such as mergers or spin-offs generally have no tax effect as long as the assets are transferred at their book values and the resulting entity (or entities) continues to have its seat in Switzerland.

The federation and cantons grant effective tax exemptions in the case of dividends under the participation relief.

Dividends received from subsidiaries are effectively exempt from federal, cantonal and municipal tax as a result of the participation relief.

Although Switzerland does not provide for group relief or consolidation, a parent company downwardly revaluing its share and loan investments in its subsidiary to take account of its losses may take a deduction for losses of its domestic or foreign subsidiary.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

Non-residents are subject to Swiss tax on Swiss trading or business profits unless they are trading or doing business in Switzerland through a PE or a dependent agent with power to conclude contracts.
Immovable property ownership makes foreign corporations subject to tax for the property in Switzerland.
A Swiss branch's taxable trading profits and capital gains are computed on the same basis as those of a Swiss resident company.
Dividends paid by foreign companies out of profits from a Swiss branch are not subject to Swiss withholding tax.
Capital tax is payable in respect of Swiss branch net assets.

12- ARE CAPITAL GAINS TAXED?

Switzerland does not distinguish between corporate ordinary income and capital gains. Capital gains are subject to federal tax and cantonal tax just as any other type of income.
Companies benefit from an effective corporate income tax exemption at the federal and cantonal levels in respect of capital gains received under the participation relief, if the gain results from a participation representing at least 10% of another company's share capital that was held for at least one year.
Holding and domiciliary companies are subject to federal, cantonal and municipal taxes on their capital gains, unless they qualify for participation relief
On the federal level, capital gains from real property are taxed as any other income.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

The distribution of liquidation proceeds in excess of capital contributed is subject to 35% Swiss withholding tax. This withholding tax may be reduced under an applicable tax treaty. A company in liquidation is liable for tax from the beginning of the liquidation period until completion of liquidation. The regular federal direct tax for a corporate entity applies, and the tax basis is ordinary corporate income.
Liquidation surplus is taxed as a dividend in the hands of the company's shareholders and may qualify for the participation relief when received by a Swiss company.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

The reduction of nominal share capital up to the minimum amount of share capital requested is not subject to any Swiss tax.
In the case of a foreign parent company, a capital reduction is free of Swiss tax.
Amounts repaid in excess of capital contributions are taxed as dividends, subject to withholding tax.
Switzerland's companies legislation allows a company to acquire its own shares, up to a maximum of 10% of its total share capital, provided freely disposable reserves are available for this purpose. If a company acquires shares in excess of this limit, it must dispose of those shares within 2 years or cancel those shares by a reduction of share capital. The company may not exercise the voting and other rights attached to the shares.
The legislation permits repurchases made to reduce the basic share capital of the company. The above limits also apply when a company receives its own shares as a settlement for a claim

against a shareholder. These limits also apply where the shares are received as part of an acquisition of a business or as part of a merger.

15- WHAT OTHER TAXES ARE APPLIED IN SWITZERLAND?

VAT

The standard rate of VAT is 8.1% (7.7% until 31 December 2023). This rate applies to all transactions subject to VAT unless a reduced rate or an exemption applies. A reduced VAT rate of 2.6% (2.5% until 31 December 2023) applies to goods for basic needs. Services in connection with the provision of lodging (accomodation) are subject to VAT at a special rate of 3.8% (3.7% until 31 December 2023).

Stamp duty

A 1% federal tax is payable on the issue of shares of Swiss companies. The tax is payable on the higher of the consideration received for the shares or the nominal value of the shares. Companies with share capital up to CHF 1 million are exempt from stamp duty.

Mergers, reorganisations, demergers and other similar corporate reorganisations are exempt from stamp duty.

Transfer tax

The transfer tax rate is 0.15% of the transaction value for securities issued by a Swiss domiciled company and 0.3% for securities issued by a company domiciled abroad. Transfer tax is payable on the transfer of securities where a professional dealer, bank or broker is involved.

Real estate capital gains tax

Real estate capital gains tax (CGT) is levied in most Swiss cantons and municipalities when property is sold at a profit. The tax is based on the amount of the capital gain and the duration of the ownership of a building. The capital gain is the difference between the sale price and the acquisition price. The profit realised by the entity involved in real estate, therefore, is made up of 2 elements:

- the capital gain that is taxed at a special rate
- the profit (the difference between the acquisition price and the net book value of the building) taxed with the net profit of the entity.

In some cantons, real estate CGT is levied separately from the net income of the entity. In other cantons, the real estate CGT is taxed with the net profit of the entity. Real estate CGT is paid by the seller of the real estate.

Real estate transfer tax

The purchase of real estate is subject to a cantonal real estate transfer tax. Usually, this tax amounts to 1% to 3% of the purchase price. Real estate transfer tax must be paid by the purchaser of the real estate; however, this tax may be shared by the parties based on negotiations.

Real estate tax

Some cantons levy a tax on property owned. In some cantons, this tax is levied only by municipalities. In other cantons, this tax applies only on immovable property owned by companies. This tax is based upon the value of a building. This value is determined by appraisal performed by the tax authorities on a regular basis. The tax rate varies from 0.1% to 0.4% of the fiscal value and is due annually.

Church tax

Many cantons operate Switzerland’s official churches and provide for their expenses. To cover the running costs of churches, some cantons impose a special tax on a company’s taxable income. This tax is usually a percentage of the cantonal income tax (between 0.2% and 23% depending on the canton).

Municipal business tax (abolished)
In the canton of Geneva, municipalities levied a municipal business tax on business entities, as a percentage of turnover, of rental expenses and of the number of employees in the canton.
Tax on insurance premiums
Switzerland imposes a stamp duty on certain premiums of both Swiss and foreign insurance companies. The rate applied is 5% on all insurance premiums except life insurance policies to which a 2.5% rate applies.
Tax on gambling
Switzerland imposes a 35% withholding tax on lottery winnings above CHF1,000. This tax is refunded to the winner if the lottery gain is properly and regularly declared.
Excise tax on consumer goods
Excise taxes apply to beer, alcoholic beverages, energy products such as gasoline and mineral oil, tobacco products, carbon dioxide and automobiles and their parts.
Taxes on mineral oil
Switzerland levies tax on mineral oil products used for powering engines and for heating purposes.
Motor vehicles tax
Switzerland imposes an import tax on motor vehicles imported into Switzerland. The tax rate is 4% of the consideration received for the acquisition of the vehicle.
The cantons levy a motor vehicles tax, based on their . The amount of tax varies according to factors such as the power, emissions, cylinder capacity and weight of the vehicle.
Taxes based on environmental issues
Switzerland has introduced a new tax on carbon dioxide with the goal of reducing carbon dioxide emissions. This tax is levied on fossil fuels such as heating oil, natural gas, coal, etc used for heating purposes or the production of electricity producing. For 2022, the tax amounts to CHF120 per ton of carbon dioxide.

16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?

Dividends
In principle, dividend income is included in ordinary income for Swiss federal and cantonal tax purposes.
Companies benefit from an effective corporate income tax exemption at the federal, cantonal and municipal levels in respect of dividends and liquidation proceeds received under the participation relief. The participation relief applies if the company holds at least 10% of the paying company's share capital, or has a participation in the paying company which has a market value of at least CHF1 million.
For Swiss federal tax purposes, no particular rules apply to holding companies which may benefit from the participation relief.
Generally, dividends, including constructive dividends and liquidation proceeds exceeding nominal share capital, paid by a Swiss company are subject to 35% federal withholding tax regardless of whether the recipient is a resident or a non-resident. All profit distributions paid by a Swiss company, interest on bonds, interest on back accounts, and distributions from investment funds are subject to withholding tax.
Dividends paid by a non-Swiss company out of Swiss branch profits are not subject to Swiss withholding taxes.
Interest and royalties
A withholding tax of 35% generally applies to bank interest and interest on publicly offered bonds.
However, from 1 January 2013 to 31 December 2026, domestic and foreign investors who are not resident in Switzerland are exempt from withholding tax on interest on all bonds and money market papers, for a four-year period.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Stock and work in progress are valued at the lower of cost or market value. All entities subject to Swiss income tax may take tax deductible allowances of up to one-third of the value of their inventory value for federal tax purposes, as well as in most cantons. Taxpayers may take higher tax deductible allowances if they can justify a higher risk of obsolescence.

18- HOW ARE RESIDENT INDIVIDUALS TAXED?

Tax liability criteria

According to Switzerland's federal income tax law, an individual's residence is determined either by the person's intention to stay in Switzerland on a continuous basis or by specific residence rules in the federal laws. An individual with particular activities or assets in Switzerland who stays in Switzerland longer than a certain period of time is also deemed to be resident.

Residents are subject to tax on their worldwide income and assets as well as on specific capital gains transactions.

Tax rates

The tax rates that apply on the gross income for 2024 of a resident married individual with a non-working spouse and 2 children are the following:

	Tax rate (%) on gross income of			
	CHF 50,000	*CHF 100,000*	*CHF500,000*	*CHF 1,000,000*
Federal tax	0.424	1.913	10.262	11.500
Cantonal and communal tax				
Zurich	6.287	10.700	21.951	25.145
Bern	15.012	17.527	25.619	27.646
Zug	3.936	5.383	9.847	10.228
Lucerne	7.010	10.856	17.023	17.936
Basel	0.000	6.760	18.390	23.140
Geneva	0.050	6.698	23.601	27.717
St Gallen	7.145	12.585	20.812	21.327

Main deductions and reliefs

A married couple not legally or effectively separated is required to file a joint tax return.

Complex cantonal and federal systems of relatively minor tax rebates exist to benefit individuals who are supporting dependent spouses, children, students, invalid relatives, parents or parents-in-law.

Employment-related childcare costs for children under the age of 14 may be deducted up to a maximum of CHF25,500 in 2024 for each child (CHF25,000 in 2023).

Inheritance and gift tax

Inheritance and gift taxes are generally levied only by the cantons, but in some cantons an additional municipal tax is levied. The tax rates vary considerably between cantons. The tendency is to abolish inheritance and gift taxes for direct descendants.

Pension, social security and national health policy

Resident employers, employees and self-employed workers pay contributions to the national social old age fund (AHV) and up to a defined salary level to a pension fund (BVG) in different percentages. Contributions to officially recognised private pension plans are tax deductible up to the amount of CHF 7,056 in 2024 (no change from 2023).

The bulk of the medical system, with the exception of public hospitals, is private. Government-recognised providers of medical services are registered with the health authorities.

The medical coverage given by private health insurance depends on the level of contributions. Coverage for basic amenities in public and a number of private hospitals is granted by law through the required minimum health insurance. The excess or gap must be paid privately or can be covered by additional private medical insurance.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Tax liability criteria

According to Switzerland's federal income tax law, an individual's residence is determined either by the person's intention to stay in Switzerland on a continuous basis or by specific residence rules in the federal laws. An individual with particular activities or assets in Switzerland who stays in Switzerland longer than a certain period of time is also deemed to be resident.

Non-residents are subject to tax only on certain Swiss sourced income and assets.

Tax rates

The same tax rates are applicable for non-residents as for residents. The tax rate is determined by the non-resident's worldwide income but is applicable to their taxable Swiss income only.

The tax rates that apply on the gross income for 2024 of a resident married individual with a non-working spouse and 2 children are the following:

	Tax rate (%) on gross income of			
	CHF 50,000	***CHF 100,000***	***CHF500,000***	***CHF 1,000,000***
Federal tax	0.424	1.913	10.262	11.500
Cantonal and communal tax				
Zurich	6.287	10.700	21.951	25.145
Bern	15.012	17.527	25.619	27.646
Zug	3.866	5.383	9.847	10.228
Lucerne	7.259	10.856	17.023	17.936
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Main deductions and reliefs

A married couple not legally or effectively separated is required to file a joint tax return.

Complex cantonal and federal systems of relatively minor tax rebates exist to benefit individuals who are supporting dependent spouses, children, students, invalid relatives, parents or parents-in-law.

Employment-related childcare costs for children under the age of 14 may be deducted up to a maximum of CHF25,500 in 2024 for each child.

Inheritance and gift tax

Non-residents are liable in respect of the transfer of real estate in Switzerland.

Pension, social security and national health policy

Non-residents being paid from Switzerland and undertaking work in Switzerland are subject to the old age pension funds (AHV and BVG). However, contributors to foreign pension plans can, under certain circumstances, apply for an exemption from the Swiss old age pension fund (AHV).

Non-residents are not subject to the minimum compulsory medical insurance.

20- TERMS FOR TAX PAYMENTS: THE FISCAL YEAR IN SWITZERLAND

The tax year corresponds to the financial year (accounting year) of the entity. Currently, electronic filing is not mandatory. The rules for electronic filing vary by canton.

The deadline for payment of income tax is 31 March of the year following the tax year for all taxpayers. The deadline for cantonal/communal taxes is usually between 30 June and 31 December of the following year depending on the canton.

Penalties vary from CHF1,000 to CHF10,000. Late federal tax payments are subject to interest at 4.75% (4% before 1 January 2024) .

21- WHAT TAX INSPECTIONS ARE MADE?

Both the Swiss Federal Tax Administration and the relevant cantonal tax administration may audit the books of a business entity to verify the entity's compliance with the Swiss tax laws. No evidence of fraud, tax evasion or any other mistake is necessary to justify a tax audit.

Usually tax administrations inform the taxpayer in advance before auditing the books of the entity. In anticipation of a tax audit, a taxpayer must retain data for 10 years.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?

A taxpayer may approach the Swiss tax authority or the cantonal tax authorities and request an advance tax ruling on the tax treatment of a transaction prior to its execution. The period between the advance tax ruling request submission and the final decision on a matter depends upon the situation and varies between one day and about four weeks.

Advance tax rulings are binding on both parties.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?

There are no exchange controls in Switzerland.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE SWISS GOVERNMENT?

Tax holidays

A number of Swiss cantons grant tax holidays for up to 10 years to certain newly incorporated companies that are expected to further industrial development and provide employment in the canton. The tax holiday may be a total or partial exemption from cantonal tax but usually has no effect on the company's federal tax position.

Under Swiss federal law effective 1 January 2008, a regional policy provides for tax holidays at the federal level. Under this policy, a company may obtain a tax holiday at the federal level if it benefits from a tax holiday at the cantonal level, is based in one of the regions defined by law, has an industrial activity or renders services in close connection with the production of goods or is innovative.

Switzerland has no special incentives in the form of accelerated depreciation (except for investments in water pollution abatement machinery), investment allowances or grants. However, all taxpayers are entitled to a tax deductible inventory allowance of up to one-third for federal tax purposes and in most cantons. The allowance is calculated on the net book value of the inventory after deduction of any economically justified reserve. There is also a debtors allowance of 5% for all Swiss debtors and 10% for foreign debtors, without commercial justification.

Tax regimes for holding, administrative and principal companies (abolished)

Before 1 January 2020, holding companies granted holding tax status were generally exempt from Swiss cantonal and municipal income taxes and the cantonal capital tax was levied at a reduced rate. From that date, they are subject to the same tax rules as other Swiss companies and may benefit from effective tax exemptions in respect of dividends and capital gains received under the participation relief.

Before 1 January 2020, administrative companies were subject to a special Swiss tax regime. An administrative company was defined as a company conducting all of its commercial activities abroad. The activity carried out in Switzerland could only be of an administrative nature (bookkeeping, invoicing, etc). Administrative companies benefiting from the special tax regime before 2020 may continue to do so for a further 5 years.
Before 1 January 2020, Switzerland's Federal Tax Administration granted principal company tax status to companies responsible for the development of their market, especially purchases, research and development planning, production and distribution planning, inventories management, logistics planning, marketing development, sales and purchases analysis, treasury, finance and general administration. Cantons were free to apply the same rules or to grant another type of ruling if they judged it more advantageous for the taxpayer.

Delay of realisation of profits with replacement investments

Swiss taxes due on profit realised on the sale of a fixed asset required for the activity of a company may be delayed if the company reinvests the proceeds in a new fixed asset. The reinvestment should be on fixed assets that are also required for the activity of the company. If part of the proceeds is reinvested, the amount that has not been reinvested will be subject to tax.
This incentive also applies to investment in other entities if the investment that has been sold represented 10% or more of the capital of the invested company and such investment had been held for at least one year. The reinvestment should occur within a period of less than two years.

Foreign immovable property and branch income

Although this is not an incentive, it should be noted that income from foreign immovable property and income from a foreign branch are exempt from Swiss tax.

Contingent convertible bonds

From 1 January 2013 to 31 December 2026, domestic and foreign investors who are not resident in Switzerland are exempt from withholding tax on interest on all bonds and money market papers, including contingent convertible bonds (known as "CoCos").

25- HAS SWITZERLAND SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

Switzerland has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty. There is no Swiss withholding tax on royalties.
The following rates of Swiss withholding tax apply to non-resident entities.
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	Dividends	*Interest*	*Royalties*
	%	*%*	*%*
Non-treaty countries	35	35	0
Treaty countries			
Albania	5/15	0/5	0
Algeria	5/15	0/10	0
Argentina	10/15	0/12	0
Armenia	5/15	0/10	0
Australia	0/5/15	0/10	0
Austria	0/15	0	0
Azerbaijan	5/15	0/5/10	0
Bahrain	0/5/15	0	0
Bangladesh	10/15	0/10	0
Belarus	5/15	0/5/8	0
Belgium	0/15	0/10	0
Brazil	0/10/15	0/10/15	0
Bulgaria	0/10	0/5	0

Canada	0/5/15	0/10	0
Chile	15	4/5/10	0
China	0/5/10	0/10	0
Colombia	10/15	0/10	0
Croatia	5/15	5	0
Cyprus	0/15	0	0
Czech Republic	0/15	0	0
Denmark	0/15	0	0
Ecuador	15	0/10	0
Egypt	5/15	0/15	0
Estonia	0/5/15	0	0
Finland	0/10	0	0
France	0/15	0	0
Georgia	0/10	0	0
Germany	0/5/15/30	0	0
Ghana	5/15	0/10	0
Greece	0/5/15	0/7	0
Hong Kong	0/10	0	0
Hungary	0/15	0	0
Iceland	0/15	0	0
India	5	0/10	0
Indonesia	10/15	10	0
Iran	5/15	0/10	0
Ireland	0/15	0	0
Israel	5/15	5/10	0
Italy	0/15	0/12.5	0
Ivory Coast	15	15	0
Jamaica	10/15	0/10	0
Japan	0/5/10	0/10	0
Kazakhstan	0/5/15	0/10	0
Korea	5/15	0/5/10	0
Kosovo	0/5/15	0/5	0
Kuwait	15	10	0
Kyrgyzstan	5/15	5	0
Latvia	0/15	0/10	0
Liechtenstein	0/15	0	0
Lithuania	0/5/15	0/10	0
Luxembourg	0/5/15	0	0
Macedonia	5/15	0/10	0
Malaysia	5/15	10	0
Malta	0/15	0/10	0
Mexico	0/15	0/5/10	0
Moldova	5/15	0/10	0
Mongolia	5/15	0/10	0
Montenegro	5/15	10	0
Morocco	7/15	10	0
Netherlands	0/15	0	0
New Zealand	15	10	0
Norway	0/15	0	0
Oman	0/5/15	0/5	0
Pakistan	10/20	10	0
Peru	10/15	0/15	0

Philippines	10/15	10	0
Poland	0/15	0/5	0
Portugal	0/5/15	0/10	0
Qatar	0/5/15	0	0
Romania	0/15	0/5	0
Russia	0/5/15	0	0
Saudi Arabia	5/15	0/5	0
Serbia	5/15	10	0
Singapore	0/5/15	0/5	0
Slovak Republic	0/15	0/5	0
Slovenia	0/15	0/5	0
South Africa	5/15	5	0
Spain	0/15	0	0
Sri Lanka	10/15	10	0
Sweden	0/15	0	0
Taiwan	10/15	0/10	0
Tajikistan	5/15	0/10	0
Thailand	10/15	0/10/15	0
Trinidad and Tobago	10/20	10	0
Tunisia	10	10	0
Turkey	5/15	0/5/10	0
Turkmenistan	5/15	10	0
Ukraine	0/5/15	0/5	0
United Arab Emirates	5/15	0	0
United Kingdom	0/15	0	0
United States	0/5/15	0	0
Uruguay	5/15	0/10	0
Uzbekistan	5/15	0/5	0
Venezuela	0/10	0/5	0
Vietnam	7/10/15	0/10	0
Zambia	0/5/15	0/10	0

Switzerland has signed TIEAs with the following countries, based on the OECD model convention: Andorra, Belize, Brazil, Greenland, Grenada, Guernsey, Isle of Man, Jersey, San Marino and Seychelles.