



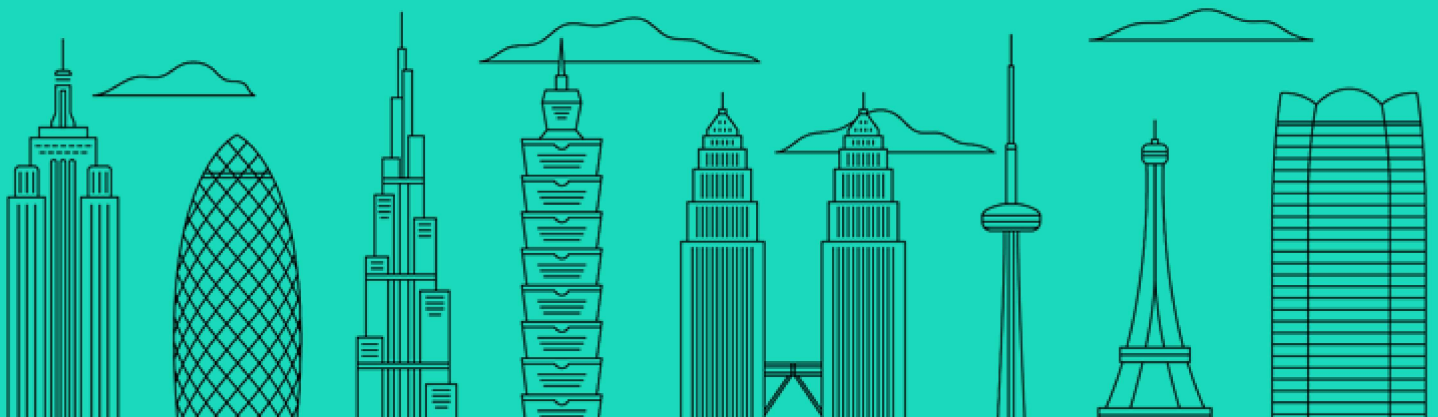
# Withholding tax challenges



# Withholding tax challenges

**Practical advice and problems for international weekly commuters and persons taxed at source with a gross salary of less than CHF 120'000.**

The challenges primarily affect persons with their main residence abroad who are gainfully employed in Switzerland (international weekly commuters) and persons resident in Switzerland who are taxed at source and have an annual gross income of less than CHF 120'000.



	Scenario 1 - International weekly commuters	Scenario 2 - Persons taxed at source with a gross salary of less than CHF 120'000 and resident in Switzerland
Background	<ul style="list-style-type: none"> <li>● Main residence outside of Switzerland*1</li> <li>● 100% gainfully employed in Switzerland (stays in Switzerland during the week)</li> <li>● Spouse lives outside Switzerland and is also gainfully employed there or there are other significant income-generating assets (e.g. interest, dividends, rental income or deemed rental income)</li> </ul>	<ul style="list-style-type: none"> <li>● Main residence in Switzerland*2</li> <li>● Income from employment taxed at source and below CHF 120'000</li> <li>● There is additional income and assets that are not taxed at source (mandatory application)</li> <li>● Additional deductions not included in the withholding tax rate (voluntary application)</li> </ul>
Points to note/problems	<ul style="list-style-type: none"> <li>● Deductions (e.g. voluntary pension fund payments, weekly commuter costs) can now only be claimed if the gross income taxed in Switzerland accounts for more than 90% of total worldwide income (quasi-residence)</li> <li>● Planning uncertainty if 90% threshold is not quite reached. Caution is advised, especially when making voluntary payments into the pension fund, where the interpretation of practice is unclear</li> <li>● Other options for submitting a tax return to be assessed on the basis of Art. 99a para. 1 lit. b and c DBG: Comparable situation with a person resident in Switzerland or deductions based on an international agreement</li> <li>● Possibly obtain a non-binding preliminary decision from the cantonal authority</li> </ul>	<ul style="list-style-type: none"> <li>● In the case of additional income and assets, a mandatory application must be made to submit the tax return</li> <li>● Depending on the canton, thresholds have been defined that result in a tax return being submitted.*3 Many cantons have not yet defined any thresholds, which means a tax return must be submitted even for low income and assets</li> <li>● There may be consequences if applications are not submitted or are late (mandatory application: breach of procedural obligations, voluntary application: loss of entitlement to deductions)</li> </ul>
Procedure	<ul style="list-style-type: none"> <li>● The application for filing the tax return must be submitted by 31 March (or by moving away), otherwise it will not be accepted</li> <li>● Quasi-residency (90% rule) is only finally confirmed after the tax return is submitted</li> <li>● The application must be submitted again every year</li> </ul>	<ul style="list-style-type: none"> <li>● The application for filing the tax return must be submitted by 31 March (or by moving away).</li> <li>● An application automatically results in an obligation to submit a tax return, including in subsequent years</li> </ul>
Tax return	<p>Recalculation of taxes based on weekly commuter/domicile. The applicable tax rate could be higher than the withholding tax rate, which could result in an “additional” outstanding tax liability. A comparison calculation is recommended before making the (voluntary) application to file a tax return. In the case of employees tax resident in Switzerland, the consequences for subsequent years must also be taken into account.</p>	

Changes in the personal situation can have tax implications. You are advised to consult a tax advisor to assess your own situation.

\*1. Taxation in Switzerland without tax residence or qualified residence (main place of residence outside Switzerland).

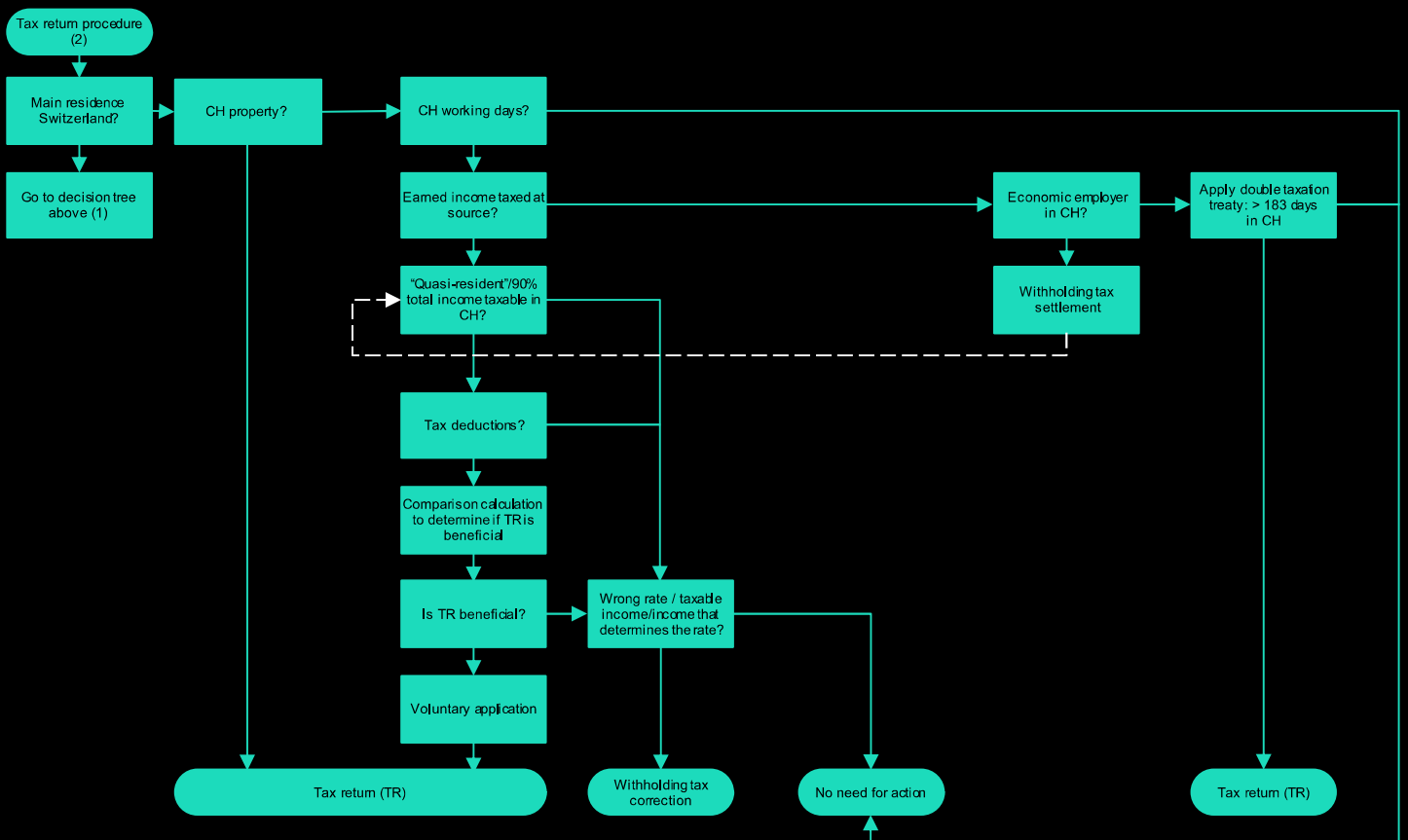
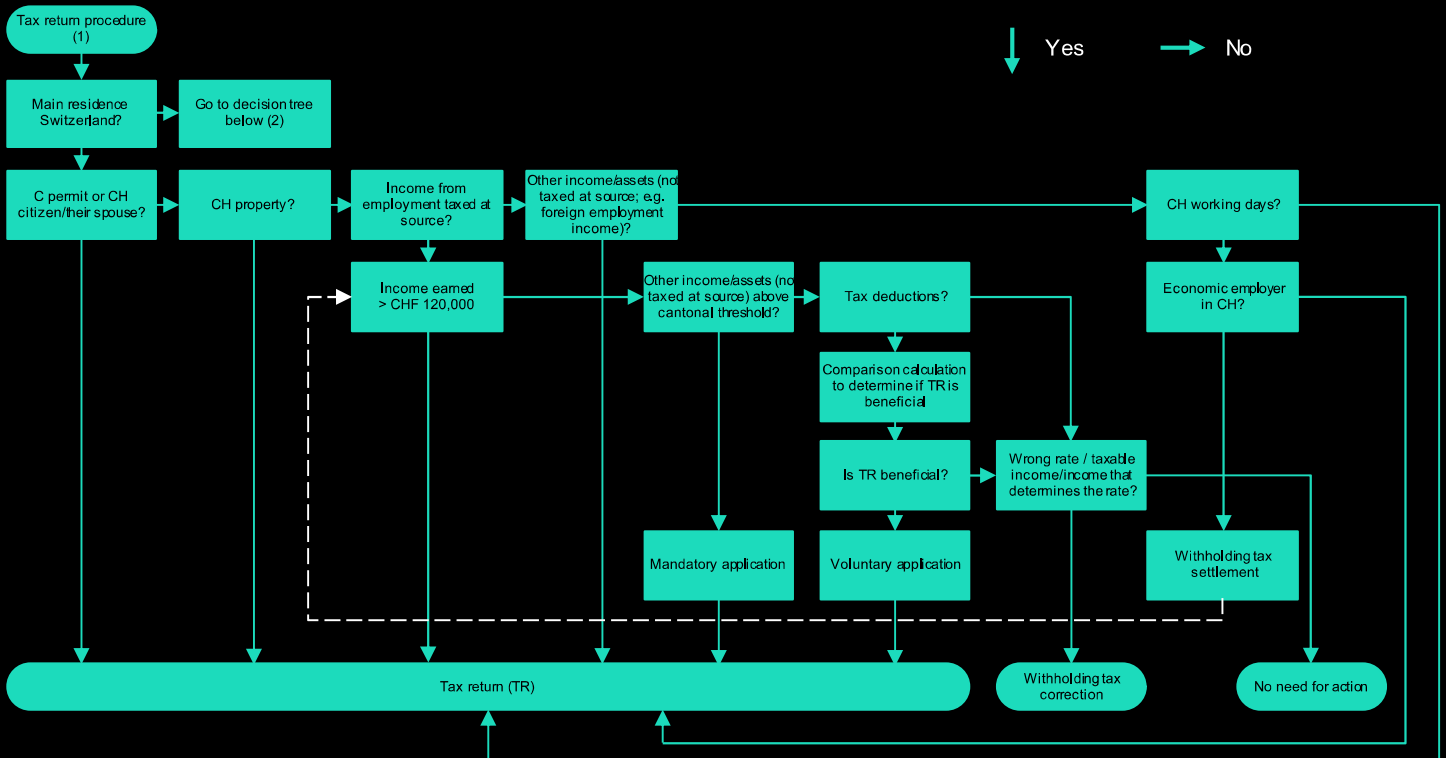
\*2. Taxation in Switzerland as a tax resident (main place of residence in Switzerland).

\*3. Overview of thresholds - see following page.

# Decision tree Potential Filing Requirement

The decision tree can be used to determine which steps need to be taken for the employees and, if necessary, retroactively for the employer.

It looks at the situation for persons whose main residence is either in Switzerland or abroad. The purpose of the decision tree is to provide guidance. It does not replace the advice of a tax specialist.



The cantons have their own defined thresholds for the additional income and assets not taxed at source. Reaching these thresholds results in a mandatory tax return procedure, this means the employee must proactively apply to the tax office to start the tax return filing procedure. Each canton defines the threshold differently e.g. Berne also adds the foreign properties when calculating the income/wealth whereas e.g. Zurich does not. Many cantons have not even defined their thresholds and the tax authorities will assess on a case by case basis. It is still unclear whether and to what extent harmonisation will occur in this area.

Canton	Income not taxed at source	Wealth
<b>Aargau</b>	CHF 10'000	CHF 100'000
<b>Appenzell Outer Rhodes</b>	not defined	not defined
<b>Appenzell Inner Rhodes</b>	not defined	Single CHF 50'000 / married or in registered partnership CHF 100'000 / per child CHF 20'000
<b>Basel-Landschaft</b>	CHF 1'700	Single CHF 75'000 / married or in registered partnership CHF 150'000
<b>Basel-Stadt</b>	CHF 500	Single CHF 75'000 / married or in registered partnership CHF 150'000
<b>Berne</b>	CHF 3'000	CHF 150'000 (incl. foreign properties)
<b>Freiburg</b>	not defined	Single CHF 55'000 / married or in registered partnership CHF 105'000
<b>Geneva</b>	CHF 3'000	Single CHF 83'398 / married or in registered partnership CHF 166'797 / per child CHF 41'699
<b>Glarus</b>	CHF 2'000	CHF 50'000
<b>Graubünden</b>	not defined	not defined
<b>Jura</b>	not defined	Single CHF 27'000 / married or in registered partnership CHF 54'000 / per child CHF 27'000
<b>Lucerne</b>	Interest/dividends CHF 2'000 / self-employment/alimonies CHF 5'000	Single CHF 65'000 / married or in registered partnership CHF 130'000
<b>Neuchâtel</b>	not defined	CHF 50'000
<b>Nidwalden</b>	not defined	not defined
<b>Obwalden</b>	not defined	not defined
<b>Schaffhausen</b>	not defined	Single CHF 50'000 / married or in registered partnership CHF 100'000 / per child CHF 30'000
<b>Schwyz</b>	CHF 2'000	CHF 50'000
<b>Solothurn</b>	not defined	Single CHF 60'000 / married or in registered partnership CHF 100'000 / per child CHF 20'000
<b>St. Gallen</b>	not defined	Not defined
<b>Ticino</b>	CHF 3'000	CHF 50'000
<b>Thurgau</b>	not defined	not defined
<b>Uri</b>	CHF 2'000	Single CHF 100'600 / married or in registered partnership CHF 201'100 / per child CHF 30'200
<b>Vaud</b>	not defined	Single CHF 56'000 / married or in registered partnership CHF 112'000
<b>Valais</b>	not defined	Single CHF 30'000 / married or in registered partnership CHF 60'000
<b>Zug</b>	CHF 2'000	CHF 100'000
<b>Zurich</b>	CHF 3'000	Single CHF 80'000 / married or in registered partnership CHF 160'000

# Contacts



**Marcel Meier**  
Partner  
+41 79 376 52 60  
marcel.meier@vialto.com



**Pascal Flückiger**  
Director  
+41 79 331 56 22  
pascal.flueckiger@vialto.com



**Franziska Tschirky**  
Senior Manager  
+41 79 377 30 09  
franziska.tschirky@vialto.com