



Swiss Lump-sum taxation

Expenditure-based taxation, also referred to as lump-sum taxation, is a simplified assessment procedure for foreign nationals who are domiciled in Switzerland but are not gainfully employed here.

Expenditure-based taxation is a special way of assessing income and wealth. The regular tax rates are applied in calculating the tax amount, however. People who are taxed on an expenditure basis may not be gainfully employed in Switzerland. This form of taxation is available to foreign nationals who make Switzerland their tax domicile for the first time or after at least ten years spent outside the country. The right to expenditure-based taxation expires when a person acquires Swiss citizenship or takes up gainful employment in Switzerland.

The tax is calculated on the basis of the total annual cost of living expended by the taxpayers in Switzerland and abroad for themselves and their dependents. The law also provides for minimum values for the assessment basis and a minimum calculation according to which the tax may not be lower than the tax on specified gross elements of income and wealth in Switzerland calculated with the regular tax rate. This income includes in particular all income from Swiss sources, as well as income for which the taxpayer claims relief from foreign taxation in accordance with a double taxation agreement concluded by Switzerland.

Reforms to increase acceptance

For tax equity reasons, citizens in the Canton of Zurich voted against expenditure-based taxation in a popular vote in 2009, and the practice was abolished at the start of January 2010. The cantons of Schaffhausen, Appenzell Ausserrhoden, Basel Landschaft and Basel Stadt followed Zurich's example. The cantons of Thurgau, St. Gallen, Luzern and Bern decided to maintain expenditure-based taxation, but they applied stricter rules.

The Federal Council rejected the abolition of expenditure-based taxation for economic reasons. However, it advocated more stringent rules to improve acceptance of this form of taxation.

The worldwide expenses should amount to at least seven times the housing costs.

A minimum assessment basis of CHF 400'000 should now additionally apply for direct federal tax. The cantons must also set at their discretion a minimum amount for the assessment basis.

In the case of spouses who wish to be taxed on an expenditure basis, both parties must fulfil all of the prerequisites for expenditure-based taxation.

If you intend to relocate to Switzerland, please contact us!

Source: efd.admin.ch

PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.

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