



SWISS LUMP SUM TAX

COME TO LIVE IN SWITZERLAND!

This stable and modern country purposes you the possibility of paying a fixed amount of taxes every year. This amount is based on your rental payments and has no relation to your real income or wealth. In fact, you are not even requested to declare your income nor your assets.

This fiscal arrangement is based on Switzerland's federal law and is thus available everywhere in the country. It is a famous specialty of the Swiss tax system and has been used for decades by many foreigners, including many celebrities.

Who can benefit from lump-sum taxation?

You need to be a Swiss resident with a B or C permit, to be retired and not to have worked in Switzerland for the last 10 years. By retired is meant no day-to-day professional activity. You can oversee your investments but you can work neither in Switzerland nor abroad.

Many cantons have unofficial minimums for the taxable income before they grant you a residence permit. However, if you are flexible on the selection of the canton, this amount is rather reasonable. As a rule of thumb you should have a taxable income of no less than 150,000 Swiss francs a year to be eligible.

How is the annual tax computed?

The tax is based on your spending - not your income. In practice, your annual rent is taken as an approximation of your spending. Your taxable income is equal to 5 times this annual rent. You then pay the normal tax rate for the city and canton you live in.

Tax advantages

Immutable: Every year you pay the same amount of tax.

Confidential: It is not necessary to report your full assets or income. Even if you have investments in a Swiss bank, as a Swiss lump-sum resident, such investments are not taxable and you have no obligation to report them anywhere.



Simple: Gone are the 50 page tax returns, complex tax-planning structures or shaky offshore loopholes. You enter into a written agreement with the Swiss tax authorities, signed by both parties, and mutually agree on the amount of tax you'll pay from now on.

Flexible: You can now choose how to invest your money without worrying about future tax implications. If at some point you want to give up lump-sum taxation, you are free at any time to select the regular Swiss tax system.

Peace of mind: We can often obtain a tax ruling before you come to Switzerland so you'll know exactly how much you will pay in taxes before moving. In a sense, this is like a rental agreement which you would sign before moving into your new home - Switzerland.

Rental example

Let's assume that you rent an apartment for 3,000 Swiss Francs a month. That makes an annual rent of $3000 \times 12 = \text{CHF } 36'000$. Your taxable income will be 5 times your annual rent, that is $36000 \times 5 = \text{CHF } 180,000$. Your annual tax bill would be in this case of approximately $180,000 \times 30\%$, that is 54,000 Swiss Francs a year. Please consider that Swiss cantons want to have some real tax income and won't agree to a taxable income of less than 150,000 Swiss francs no matter how little you pay for your flat.

House purchase example

Suppose you choose instead to buy a house for 3,000,000 Swiss francs. We will first have to compute the rental value of your house, which is done with a mutable capitalization rate. In this case we need to use 2.5%, subject to negotiation. This makes for an annual rental value of $2.5\% \times 3,000,000 = 75,000 \text{ CHF}$. Your taxable income will then be $5 \times 75,000 = 375,000$ Swiss francs. Your annual tax bill, taking an estimated 30% tax rate, would be approximately 112,500 Swiss francs a year. The capitalization rate used decreases as the house increases in value.

Please let us know if you have any questions at all regarding this proposal. We look forward to hearing from you.

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