



GMS Flash Alert

Global Compensation Edition

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Switzerland – Updated Swiss Equity Compensation Reporting Requirements

Swiss tax authorities updated Circular No. 37, which came into force on 1 January 2021.¹ The update clarifies how employers need to report equity compensation information to the cantonal tax authorities in a consistent format.

Following is a concise overview of the Swiss equity compensation reporting requirements based on the Circular No. 37 updates.

WHY THIS MATTERS

Numerous Swiss employers have struggled with equity compensation reporting requirements for their employees. Many companies took practical approaches due to the lack of clarity and consistency across cantons, which may not have been in line with tax reporting requirements, especially the reporting obligations for the canton of Vaud, which have been specified by the authorities. Employees, their advisers, and tax authorities also had to interpret different annex formats from different companies, and make sure that appropriate information was included and correctly reported. These differences added complexity to the process of completing and filing Swiss tax returns.

The update to Circular No. 37, effective from 1 January 2021, provides welcome clarity and consistency, including:

- a standard reporting template accepted by all cantonal tax authorities, for equity reported on the Swiss salary certificate as of 1 January 2021;
- support for electronic filing for efficient delivery to the tax authorities.

Swiss Equity Compensation Reporting

All Swiss employers must provide their employees with a salary certificate “Lohnausweis”/“Certificat de Salaire,” which includes all relevant employment income they have received in the applicable tax year. Total equity compensation awards must be reported on line 5 of this salary certificate. This reporting requirement applies to all employees receiving equity compensation relating to their Swiss employment, even if the employee has already left Switzerland and only has trailing equity compensation sourced to Switzerland.

KPMG NOTE

This requirement impacts all companies with a Swiss branch or subsidiary, not just Swiss-headquartered companies. It also affects all individuals who have had any portion of their awards sourced to Switzerland, both local and mobile employees.

Under the terms of Circular No. 37 “Besteuerung von Mitarbeiterbeteiligungen” (In English: Taxation of employee participation), the employer must also provide employees and their cantonal tax authorities with additional information in an addendum or “annex” to the salary certificate. The annex must include relevant information relating to their equity compensation, such as plan name, grant and vest date, and number of instruments the employee received.

The employee participation plan regulations (“Mitarbeiterbeteiligungsverordnung”/“Ordonnance sur les participations de collaborateur”) provide guidance on the information that must be included in the annexes to the Swiss salary certificates (see for example Art. 4 and Art. 5 on the requirements for shares and share option plans).

However, no specific template for reporting is included in the regulations. So far, the canton of Vaud is the only canton to provide a specific template.

Circular No. 37 Updates

On 30 October 2020, the Swiss tax authorities updated Circular No. 37, which came into force on 1 January 2021. The update clarified how employers can report equity compensation information to the cantonal tax authorities in a consistent format.

Standard Reporting Template

The update to Circular No. 37 contains additional information on how to report equity compensation and sample annex templates accepted by all cantonal tax authorities based on the Annex Guidelines provided based on the canton of Vaud’s previous requirements.

KPMG NOTE

Using this template should help to ensure compliance regarding equity compensation reporting obligations, no matter which canton the employee lives in.

Electronic Transmission for Standard Reporting Template

The Swissdoc unified payroll reporting software (“Elektronische Lohnmeldeverfahren – ELM Version 5.0”) expected to

be released by 31 March – will support the electronic transmission of the annexes in the standard format to the relevant cantonal tax authority.

KPMG NOTE

The early release of ELM 5.0 will allow companies to start planning and make use of electronic transmission of the equity annexes along with their employees' salary certificates for tax year 2021. This will greatly ease the administration and save time for all parties. On this basis, we expect many tax authorities to push employers to deliver such annexes electronically, and we recommend companies start to review and update their processes now.

How We Can Help

KPMG's Swiss Equity Annex Reporting (SEAR) technology has the functionality to:

- process the data using standard reports;
- consider only the relevant information required;
- help ensure data accuracy by using a sophisticated data validation mechanism;
- generate annexes in both Excel and .PDF formats, in multiple languages (standard languages: German, French, Italian, English);
- automate sharing of annexes with employees.

FOOTNOTE:

1 See [SR 642.115.325.1 – regulation about the certification requirements for employee participation \(in German\)](#)
[Verordnung vom 27. Juni 2012 über die Bescheinigungspflichten bei Mitarbeiterbeteiligungen](#)
[\(Mitarbeiterbeteiligungsverordnung, MBV\) \(admin.ch\)](#)

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