
# Switzerland – Geneva: Tax Rulings on Employee Stock Plans; Family/Child-Related Deductions

This *GMS Flash Alert* reports on recent tax-related developments in Geneva, Switzerland concerning (i) the applicability of open-ended tax rulings relating to employee stock ownership plans, and (ii) family/child-related tax measures which could lead to a reduction in the overall tax burden for parents with dependent children.

## WHY THIS MATTERS

**Open-ended tax rulings relating to employee stock ownership plans** – Tax authorities will no longer be bound by pre-2021 rulings after 1 January 2025, therefore companies currently benefiting from open-ended rulings are advised to submit new applications based on the updated guidelines.  This applies to multinational employers as well as smaller businesses that have such rulings in place.

**Family/child-related tax measures** – As long as certain conditions are met, parents with dependent children could see a lightening of their tax burdens.  This could apply to Switzerland-outbound and -inbound international assignees subject to Swiss tax law and entitled to claim child-related deductions.

## Update on Tax Rulings Relating to Employee Stock Ownership Plans

In the past, the Geneva Cantonal Tax Administration may have approved the tax treatment of employee shareholding plans by issuing a ruling with no specified end date.  As a result, some employers have continued to apply these rulings for many years.

The protection of past tax rulings with no end date will no longer apply after 1 January 2025, in line with the principle of time-limited legal certainty.  The Geneva tax administration has now clarified its position which is in accordance with the federal regulations contained in the circular from 2020.[1]

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This circular standardised the tax treatment of employee share ownership and limited the validity period of rulings to five years in general for current schemes.  As a result, the Geneva tax authorities will not be bound by pre-2021 rulings beyond 1 January 2025.

**KPMG INSIGHTS**

Companies should review their current rulings on this subject and apply for a new ruling where necessary, in line with the current framework in force.

## Family/Child-Related Tax Measures

### Automatic Deduction for Children under 25

New tax rules in Geneva allow a taxpayer to claim a deduction for dependent children over the age of 25 who are students or apprentices.[2]

Prior to 1 January 2024, children over the age of 25 were not considered to be dependents for tax purposes. However, with the recent changes this position has been amended and children over 25 who are students or apprentices can be recognised as dependents for tax purposes if the following three conditions are met (the conditions are cumulative):

- The child is enrolled in a secondary or higher education establishment during the tax year, and
- The child is in possession of net assets below the value of CHF 92,432, and
- The child's annual gross income does not exceed CHF 16,197 (full dependence) or CHF 24,296 (partial dependence) thresholds.

**KPMG INSIGHTS**

It is important to note for the 2024 tax year, the tax deduction for dependent children over the age of 25 will not be taken into account in the level of tax withheld by employers on monthly employment income. Taxpayers eligible for this deduction will therefore have to request it by completing the tax withholding amendment form (DRIS/TOU) and file it by 31 March 2025, together with a revised calculation of the 2024 taxes.

### Fair Taxation for Parents with Equal Responsibility for their Children

Separated parents who share responsibility for their children equally can now benefit from a reduction in their tax burdens through partial splitting of the tax reduction, rather than having this attributed fully to just one parent.[3]  The aim is to achieve fairness and equality when parental care is split between two homes.

This provision applies to parents living in separate households including single, divorced, or separated parents with joint parental authority over children under the age of 25.

The reduction in the tax burden is implemented through partial splitting with a divisor of 1.8.

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## KPMG INSIGHTS

This change modernises the tax system to take better account of different family structures and aims to make the tax system more equitable.

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Considering the recent tax changes, corporate and individual taxpayers affected by these changes may wish to consult with their professional tax advisers or a member of the KPMG Global Mobility Services/People Services team in Switzerland (see the Contact Us section). KPMG is available to assist companies and individuals with navigating the intricacies of the new regulations and help them understand how they will be impacted.

With its expertise in tax consulting and advisory services, KPMG can provide valuable support to taxpayers with respect to the eligibility criteria for dependents and accurate calculation of tax liabilities while fostering compliance with the new regulations.

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## FOOTNOTES:

1 *La circulaire fédérale n°37 concernant l'imposition des participations de collaborateur, dans sa version actualisée du 30 octobre 2020*.

2 *Communiqué de l'AFC de Genève concernant l'Imposition à la source 2024, date de publication le 30 novembre 2023*.

3 *Loi modifiant la loi sur l'imposition des Personnes Physiques (LIPP) du 1er septembre 2023*.

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