

Lump-sum Taxation

An interesting alternative

Private Clients



Non-Swiss citizens taking up residence in Switzerland can opt for taxation based on expenses. This special tax system opens up attractive planning perspectives which are explained in this factsheet.

Concept of lump-sum taxation

The special tax regime of lump-sum taxation is available to resident non-Swiss nationals who do not carry out a gainful activity in Switzerland. Instead of basing the taxes on global income and wealth, it uses the taxpayer's lifestyle expenses as a surrogate tax base. This means that it is not necessary to report effective global earnings and assets. Once the tax base has been determined as explained below, it is then subject to ordinary tax rates. The resulting tax planning opportunities can open up very attractive taxation perspectives.

Conditions of lump-sum taxation

- No Swiss citizenship
- Taking up residence in Switzerland for the first time or after an absence of at least ten years
- No gainful activity in Switzerland

In case of married couples, both spouses have to fulfill these requirements.

Determination of the income tax base

The income tax base shall correspond to the amount of living expenses incurred worldwide. It shall however not be lower than:

- The equivalent of seven times the annual rental expense or rental value of their principal residence in Switzerland
- A minimum expenses threshold of CHF 429,100 is assumed at federal level. Cantons must also define minimum expenses thresholds but the amount is at their own discretion.

This individual tax assessment base is subject to standard tax rates applicable at the place of residence. The

determination of the tax assessment base and the corresponding tax burden is generally subject to an individual ruling by the competent tax authorities.

Control calculation

The resulting tax burden is subject to the control calculation in the course of the annual tax return: the tax payable calculated on the agreed lump sum tax base must be at least equivalent to the ordinary tax payable on

- Swiss-source income (mainly from Swiss real estate, securities issued by Swiss entities, Swiss source pensions or royalties) as well as
- foreign income for which the benefits of a double tax treaty is claimed.

Determination of the wealth tax base

All cantons have to levy wealth taxes of lump-sum nationals/citizens. The wealth assessment is subject to cantonal law and is mostly a multiple of the tax basis used for income tax. The assessed wealth is subject to the ordinary wealth tax rates. A control calculation is also required for wealth tax purposes. Relevant are Swiss assets such as Swiss real estate and shares issued by Swiss companies.

Cantons without lump-sum taxation

The cantons Appenzell Ausserrhoden, Basel Landschaft, Basel Stadt, Schaffhausen and Zurich abolished the system of lump-sum taxation. However, based on Federal law the lump sum taxation for the Swiss Federal income tax is also available in the cantons that have abolished the lump-sum taxation for cantonal and communal taxes.

Gainful employment activities

Gainful employment activities abroad are generally not incompatible with Swiss lump-sum taxation, neither are functions relating to the administration of private assets in Switzerland. To some extent, a board membership in Switzerland may be tolerated.

Swiss social security

As Swiss residents, lump-sum nationals/citizens are generally subject to the Swiss social security system and may be liable for social security contributions until they reach the age of 64/65. This contribution is calculated on the basis of the wealth as well as the agreed tax basis and leads to a maximum contribution of currently approx. CHF 26,000 per year and per person.

Immigration aspects

EU/EFTA nationals without a gainful activity may become Swiss residents if the following conditions are met:

- They have adequate financial resources to cover the cost of living in Switzerland to ensure that they will not become dependent on welfare benefits.
- They conclude a Swiss health insurance policy.

Third-country nationals (nationals/citizens of non-EU/EFTA countries) without a gainful activity may receive a residence permit under the following conditions:

a) Non EU/EFTA nationals over 55 years of age

- They have close ties to Switzerland.
- They abstain from any gainful activity in Switzerland and abroad.

- They have sufficient financial resources for themselves and their accompanying family members.
- They conclude a Swiss health insurance policy.

b) Non EU/EFTA nationals under 55 years of age

Third-country national taxpayers, who are younger than 55 years and do not have close ties to Switzerland may nonetheless receive a residence permit on the basis of "the preponderant cantonal fiscal interest". Generally, an annual total tax liability of approx. CHF 250,000 to CHF 1 million is the minimum amount required by the cantons.

How can we support you?

KPMG's Private Client team has years of experience in advising international clients with comprehensive structures in all tax issues and especially in Swiss lump-sum taxation matters. We will analyze your situation to determine the best solution from a tax perspective. Due to our excellent relationships with the tax authorities and our experience we are able to offer a wide range of approaches. We are known for finding the right measures for our clients that prove to be an attractive solution.

Private Client Team

In Switzerland, KPMG's Private Client team is made up of about 40 tax advisors, lawyers and accountants. Our multidisciplinary approach offers customized solutions for tax, legal and structural issues from a single source. Clients also benefit from our global network. This enables us to address complex issues from a global perspective, taking into consideration domestic and international policy trends.

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