Taxation of international executives: Switzerland

February 2025

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KPMG

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Overview and Introduction

1 Overview and Introduction

Swiss income tax legislation is divided between federal and cantonal laws. Federal tax laws apply to the whole of Switzerland, but those of the cantons are only valid within their respective territories. In addition, municipalities and, in certain cases, churches have the jurisdiction to levy taxes. Switzerland has 26 cantons.

An individual's liability to taxation in Switzerland is based on the concept of residence. An individual resident in Switzerland is taxed on their worldwide income.

An individual who moves to Switzerland and takes up employment is subject to Swiss income taxes from their date of arrival. However, if a double tax treaty or Swiss internal law provides specifically for taxation by the country of source (such as on income from real estate situated abroad, income from a permanent establishment situated abroad), the exempt income is only taken into consideration for the purposes of determining the applicable tax rate (exemption with progression).

Non-residents are subject to taxation on certain categories of income from Swiss sources.

The multi-layered tax system means that there are no average tax rates. Taxes can only be calculated based on the specific circumstances of an individual based on the applicable cantonal and communal tax laws.

The maximum effective federal income tax rate is 11.5 percent of taxable income. The various cantonal and municipal rates are also levied on a progressive scale, with a maximum combined rate. In addition, social security taxes may be payable.

The official currency of Switzerland is the Swiss Franc (CHF).

Herein, the host country refers to the country to which the employee is assigned. The home country refers to the country where the assignee lives when they are not on assignment

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Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

For most cantons, a tax return must be filed every year normally within 3 months after the end of the tax year. These returns typically cover the federal, cantonal, communal, wealth, and church taxes.

What is the tax year end?

In Switzerland, the tax year corresponds to the calendar year, thus the tax year-end is 31 December.

What are the compliance requirements for tax returns in Switzerland?

Residents

Residents in Switzerland are subject to unlimited tax liability (that is, they are subject to tax on their worldwide income). In the absence of a tax treaty, foreign-sourced income is taxed gross of any foreign income taxes or withholding taxes imposed on such income by the source country/jurisdiction.

Residents have to file their tax returns typically by 31 March of every calendar year depending upon their canton of residence. Extensions for filing are often granted up to the end of June, September, or in some cases, November, following the end of the tax year; these extensions are based on the canton of residence. The return is submitted to the cantonal tax authority as they administer the tax assessment for both cantonal and federal tax.

If the taxpayer fails to file their tax return on time, they may be subject to discretionary taxation. In such a case, the tax authorities will assess the taxpayer on the basis of a reasonable estimate. This tax basis can be higher than the actual tax basis and may lead to higher taxation for the taxpayer. No appeal is available if action is not taken within 20 or 30 days (depending on the canton) of the issue of this final assessment. Late filing penalties may also be issued, and these can be based on an individual's level of income rather than being a flat rate per year.

Cantons impose a wage withholding tax on resident foreign nationals (Quellensteuer/impôt à la source). This tax includes all ordinary taxes (Swiss federal, cantonal and communal taxes, and church taxes). The employer generally levies the wage withholding tax on a monthly basis. For higher brackets, the tax is levied through the ordinary assessment procedure. The wage withholding tax is imposed on all resident foreigners, irrespective of their range of salary, but subject to the type of work permit they hold and the place from which they are being paid.

Those individuals whose employment income exceeds a certain limit (gross salary of CHF 120,000) must also file an ordinary tax return, and any tax withheld at source is credited against the overall tax liability. Resident foreign nationals can request to file a tax return even if their gross employment income does not exceed CHF 120,000. Please note once the request to file a tax return has been made, the taxpayer is obliged to file tax returns for all future years as long as a Swiss tax resident.

In certain circumstances, it is possible to obtain an exemption from withholding taxes provided certain conditions are met. However, the tax authorities are becoming stricter regarding such applications, and advice should be sought before proceeding with any such exemptions. In addition, it is possible to obtain an exemption from withholding tax if the employer files a declaration of guarantee with the tax authorities.

If a taxpayer fails to pay taxes due within the prescribed deadline, late payment interest is added to the liability (the rates depend on the canton concerned).

Non-residents

Non-residents are subject to Swiss (federal and cantonal) income taxes with respect to certain Swiss-sourced income only. They are subject to a withholding tax levied on wages and salaries in the event that employment costs are recharged or borne by the Swiss entity or if the conditions to establish a Swiss economic employer are met (depending on canton).

Quasi-Residents

"Quasi-residents" are Non-residents, who earn the majority of their household income (at least 90 percent) from Swiss sources. For the household income also foreign sourced income, spousal income and deemed rental income for foreign domiciled properties need to be taken into account. Quasi-residents who opt to file an ordinary Swiss tax return, need to file a request to file before 31 March of the year following the respective tax period. Such request has to be filed annually.

2.2 Tax rates

What are the current income tax rates for residents and Non-residents in Switzerland?

Residents

The federal income tax rates for 2025 for married taxpayers are as follows:

Income tax table for 2024

Taxable income bracket	Taxable income bracket	Tax rate on excess
From CHF	**To CHF**	**Percent**
0	32,999	0.0%
33,000	53,499	1.0%
53,500	61,399	2.0%
61,400	79,099	3.0%
79,100	94,899	4.0%
94,900	108,599	5.0%
108,600	120,499	6.0%
120,500	130,499	7.0%
130,500	138,299	8.0%
138,300	144,199	9.0%
144,200	148,199	10.0%
148,200	150,299	11.0%

Taxable income bracket	Taxable income bracket	Tax rate on excess
150,300	152,299	12.0%
152,300	940,799	13.0%
940,800	Over	11.5%

All taxable income in excess of CHF 940'800 is subject to the rate of 11.5 percent.

Cantonal tax rates

For cantonal tax purposes, each canton has its own basis of taxation and tax rates, which vary considerably across Switzerland. In addition to cantonal taxes, communes also levy taxes as do some municipalities and churches. Taxpayers should consult a tax adviser to obtain the relevant cantonal tax rate tables.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Switzerland?

Residence is defined as the place where a person stays with the intention of settling permanently and which therefore provides the center of their personal and business interests.

Is there, a de minimis number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

A person will also be considered resident for federal tax purposes if they remain in the country/jurisdiction for a protracted period, typically more than 90 days if they are not engaged in gainful activity (30 days if working).

What if the assignee enters the country/jurisdiction before their assignment begins?

Assignees may come to Switzerland before their assignment begins for an exploratory tour, but they are forbidden to work before they obtain a valid working visa. This is typically obtained once they begin their assignments.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Switzerland?

Before leaving Switzerland, a taxpayer must secure clearance from the tax authorities. This clearance is given when evidence is shown that all taxes due up to the date of departure have been fully paid (e.g., withholding taxes have been deducted) or provisionally paid.

Alternatively, the taxpayer can appoint a Swiss tax agent to deal with outstanding tax issues after departure. In some cantons the authorities may insist on the departure tax return being filed before the clearance to leave is granted.

What if the assignee comes back for a trip after residency has terminated?

International assignees may always return to Switzerland provided they have a valid tourist visa, do not work in Switzerland, and do not stay longer than is permitted by this visa (usually 3 months). Short business trips by the assignee to the host country/jurisdiction after assignment end, with no recharge to the host entity, should not trigger any income tax liability. Business trips for a duration of more than 30 consecutive days could trigger a tax liability based on national tax laws.

Do the immigration authorities in Switzerland provide information to the local taxation authorities regarding when a person enters or leaves Switzerland?

It depends on the canton. Please note that it is a requirement that individuals register with the local authorities within 14 days (Zürich) of arrival for the work permit to be valid.

A person will be considered resident for tax purposes if they remain in the country/jurisdiction for a protracted period, such as 90 days (30 days if working), even if they are not engaged in gainful activity.

2.4.1 Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

Assignees may be required to file returns for the departure year and pay tax on income earned in the final period of the assignment. In other cases, a return may not be required although the individual may still be subject to Swiss withholding taxes (source tax final) in respect of any Swiss sourced income received post departure for trailing liabilities (such as annual bonuses or equity vestings). Returns should usually be filed within 30 days of the departure date from Switzerland and limited filing extensions are available. However, some cantons may insist on the departure return being filed prior to the individual leaving Switzerland.

2.5 Economic employer approach

Do the taxation authorities in Switzerland adopt the economic employer approach to interpreting Article 15 of the Organization for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in Switzerland considering the adoption of this interpretation of economic employer in the future?

In some cantons (such as Zurich and Zug) the economic employer rule has been applied for several years. The authorities will take into account various factors (e.g., reporting lines, nature of projects and benefiting entity, etc.), with the recharge of costs being a major consideration. With the new federal source tax law in force since January 2021, the economic employer concept has been codified and is applicable for all cantons.

Are there a de minimis number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimis number of days?

For practical reasons, some cantons do not review a case if the assignment does not exceed a consecutive 90-day period in a calendar year. If the employee is present in Switzerland for a longer period than 90 days, they become subject to taxation beginning from day one.

However, this is not statutory law, and each case has to be reviewed on a case-by-case basis. Cantonal practices may vary.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

In general, all amounts paid to, or on behalf of, an employee are considered taxable income in their hands. The treatment of various elements of a typical expatriate compensation package is discussed below. Please see section on Expatriate Concessions for additional deductions.

- School tuition reimbursements are generally taxable. However, in most cantons, contributions paid to schools attended by an expatriate's non German/French/Italian-native tongue children are allowed such deduction in the tax return process for the respective employee if they meet the criteria for the expatriate concessions. (See the Expatriate Concessions section).

- The private element of home leave cost reimbursement is taxable. Cost-of-living allowances are taxable.
- Expatriation premiums are taxable.
- In general, the value of free housing or reimbursement of rent for private accommodation is considered additional remuneration and, as such, fully subject to income tax. However, in exceptional cases, if the apartment or house is also used for representative purposes and, in addition, one room is used exclusively as an office, a portion of the rent may be treated as business expenses not to be included in the taxable remuneration. The costs might also be treated as tax-free or allowed as a deduction if the expatriate meets the expatriate criteria and if some other conditions are met (reference is made to the Expatriate Concession section).
- Moving expenses paid by the employer for the purposes of starting a new job in Switzerland may be considered taxable remuneration to the employee. The tax authorities might make an exemption when the moving expenses are incurred or charged to the former employer abroad. A lump-sum relocation allowance is fully taxable.
- Incentive compensation is typically sourced on a pro rata basis based on the vesting period.
- Taxation rules in regard to deferred compensation vary depending on the canton and nature of the deferral.

2.6.1 Intra-group statutory directors

Will a Non-resident of Switzerland who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in Switzerland) trigger a personal tax liability in Switzerland, even though no separate director's fee/remuneration is paid for their duties as a board member?

1 Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Switzerland?

Yes, non-resident members of the Board of Directors of a group company which is situated in Switzerland are generally considered liable for source taxation on remunerations paid irrespective of where the work is performed.

2 Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Switzerland (i.e., as a general management fee where the duties rendered as a board member is included)?

No, the above applies.

3 In the case that a tax liability is triggered, how will the taxable income be determined?

Any remuneration paid for the directors duties (or accrued for) would constitute taxable income. The federal tax amounts to 5 percent of the gross income (source tax). Cantonal tax rates differ depending on the cantonal legislation where the company is situated.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Switzerland? If so, please provide a general definition of these areas.

- certain benefits-in-kind
- pension and social security contributions, certain loans
- representation allowances.

Certain benefits-in-kind

Certain benefits-in-kind, such as a company car (if only used for business purposes) and discounted meals in a company-owned restaurant are not taxable.

However, if a company car can also be used privately a monthly benefit in kind for private usage (0.9% of purchase price excluding VAT per month; at least CHF 150) needs to be calculated and processed via payroll for tax and social security.

Pension and social security contributions

Pension and social security contributions paid by the employer on behalf of the employee are not taxable. Additional voluntary personal contributions made by an individual are tax deductible (subject to certain limits).

Certain loans

If loans are granted interest-free or at below-market rates by the employer to the employee, the value of the interest reduction is not included in taxable income. In certain cases, the cantonal tax authorities may insist that the loan be available to all employees.

Representation allowances

If there is an approved representation allowance and the conditions are met, then a lump- sum payment can be granted tax free.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Switzerland?

Tax concessions apply to expatriates, defined as executive employees or employees with specialist skills, seconded by their employer to Switzerland for a temporary assignment, for a maximum period of 5 years. In some cantons, the deductions may only be granted if the company has obtained a written ruling for such deductions with the Swiss Tax Authorities and advice must be taken before assuming that a payment is a tax-free payment. The deductions are as follows.

- Reasonable costs for accommodation in Switzerland. It is necessary for the expatriate to show that they maintain a permanent abode (house or apartment) outside Switzerland during the period of their stay in Switzerland. It should be noted that to qualify for the deduction, the overseas residence must be permanently available for the expatriate’s use.
- Moving costs to Switzerland and back to the home country/jurisdiction.
- Travel expenses to and from Switzerland for the taxpayer and their family at the beginning and at the end of the employment in Switzerland, respectively.
- Tuition fees (only tuition fees, not all schooling expenses) for the taxpayer’s children for a foreign-language private school, to the extent that the public schools do not offer adequate schooling.

In some cantons, a flat rate expatriate deduction has to be taken instead of the above itemized deductions. This is usually equivalent to around CHF1,500 per month. Swiss tax practice over the last years is towards a more restrictive approach to these concessions and they are frequently no longer granted (e.g., Canton of Zurich)

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Switzerland? If so, how?

In general, there is no exemption from taxation for salary earned in respect of foreign business travel.

However, for Swiss residents who spend a substantial amount of their professional time on business abroad, a pro rata portion of income may be exempt if the individual renders services for a company in a treaty country/jurisdiction, the cost of compensation is borne by a non-Swiss company and the salary for working abroad is subject to income tax in the other country/jurisdiction. In such cases, the exempt salary is only taken into consideration in order to determine the applicable tax rate (an exemption with progression).

Proof of the overseas taxation can be requested by the Swiss authorities before granting the exemption.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Switzerland? If so, how?

Dividends and interest from domestic and foreign sources are included in taxable income for the purposes of federal, cantonal, and municipal taxes. Swiss-sourced investment income, such as bank and bond interest, dividends, and investment fund distributions, is generally subject to a 35 percent withholding tax, which is creditable in full against Swiss (federal, cantonal, and municipal) tax on income and wealth due from a Swiss resident.

For federal tax and for tax in certain cantons, a limited exemption for interest income is granted, sometimes in combination with other allowances, such as insurance premiums payable.

Swiss-sourced rental income is taxable in Switzerland. Many foreign nationals living in Switzerland own real estate in their home country/jurisdiction. During the period of Swiss residence, this real estate may be rented and may produce rental income. This income is not taxable in Switzerland. It is, however, taken into consideration in order to determine the applicable tax rate (an exemption with progression).

According to Swiss tax law, a resident taxpayer owning a house or an apartment and living in this house or apartment will generally be taxed on the deemed rental value of this property, which will be added to the individual’s taxable income. Certain expenses such as maintenance costs and mortgage interest expense are allowable as deductions to offset this imputed income charge. The rental value of immovable property located abroad is taken into account in determining the rate of tax. If the property is rented out, then the actual net rents are taken into account.

There is generally no capital gains tax on personal movable property (such as shares or other securities) in Switzerland unless the taxpayer is deemed to be a professional securities trader.

Gains from the sale of immovable property (that is real estate located in Switzerland) are not subject to direct federal tax except where a taxpayer is engaged in a trade or a business and thus required to keep accounting records. On the other hand, all cantons subject such private capital gains to tax, in most cases, a special property gains tax. If the person disposing of immovable property has owned it for a long time, there is usually a reduced rate of tax available to them depending on the length of the period of ownership. However, where ownership has been for a short period of time, the tax may be increased by way of a speculation surcharge.

Disposals of shares in a real estate company can also give rise to property gains tax. No capital loss carryover is permitted if the taxpayer is not engaged in a trade or a business and thus required to keep accounting records.

Dividends and interest from domestic and foreign sources are included in taxable income for the purposes of federal, cantonal, and municipal taxes.

Gains from stock option exercises

Residency status:	Taxable at:		
	Grant	Vest	Exercise

Resident	N	N	Y
Non-resident	N	N	Y

In Switzerland, the taxation point is at exercise with grant to vest sourcing.

2.10.1 Foreign exchange gains and losses

Switzerland does not typically tax gains made on disposal of investment for individual taxpayers and hence any foreign exchange gain and losses would be disregarded.

2.11 General deductions from income

What are the general deductions from income allowed in Switzerland?

Most cantons and the federation allow a lump-sum deduction for business expenses. Reimbursed actual business expenses do not constitute income for the employee.

In some cantons, the employer can elect to provide the executives with lump-sum reimbursements expressed as a percentage of base salary or as a fixed amount. Such reimbursements are not considered taxable income provided that they do not appear excessive and approval for the lump- sum payment has been granted by the tax authorities.

For federal and cantonal tax purposes, only the cost of traveling to work by public transport is deductible. However, if there is no public transportation or the taxpayer is dependent on their (private) car, a deduction for car expenses under certain circumstances is allowed.

Most cantons and the federation grant deductions for meals if they are not provided by the employer. The deduction is generally reduced if the employee can buy meals at a reduced cost in an employer-provided cafeteria or gets lunch vouchers from the employer. Lunch vouchers or reimbursement of meal costs, up to a certain amount, are generally exempt from income tax.

For federal and cantonal taxes, standard deductions and allowances vary from canton to canton and provision is made for the following:

- additional costs of board and lodging away from home and shift-work expenses
- earned income of spouse
- non-reimbursed medical expenses
- education.

In general, no deductions for car depreciation or home computers are allowed. However, should the car or the computer be used for business purposes, a portion of the costs (such as mileage and purchase price) may be deductible.

Losses from other business ventures are fully deductible against other income.

Tax laws vary widely from canton to canton. However, some examples of deductions generally accepted by the tax authorities (subject to certain limitations), as follows:

- insurance premiums (such as life or medical)
- non-reimbursed medical expenses to the extent that these exceed 5 percentage of net income
- charitable contributions to Swiss charities
- social security contributions

- interest expenses
- investment management expenses, alimony or child support payments
- general business/standard deduction.

2.12 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Switzerland?

The reimbursement method used is current year gross-up.

2.13 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in Switzerland? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Residents

Swiss nationals or foreigners holding a C permit will normally pay provisional tax through three instalments during the tax year (30 of June, 30 September, and 31 December) whilst in some cantons the taxes may be due on a monthly basis. Final taxes will be paid once the annual return has been assessed. Provisional federal tax bills are usually issued by 31 March following the end of the tax year with the final tax bill being issued once the annual return has been assessed.

Persons holding B or L residence permits will be subject to monthly withholding tax (Quellensteuer) on their salaries, wages, or similar remuneration paid in Switzerland, as well as bonuses or similar remuneration. These withholding taxes may not be the final tax liability for the year and in many cases, they will just be a prepayment of the individual's annual tax liability.

Non-residents

All Non-residents are subject to withholding tax (Quellensteuer) on Swiss-sourced income. Quellensteuer tables take into account the marital status, family size, and religion (in some cases, even gender), and differ from canton to canton.

A different treatment may apply to certain frontier workers exercising work in Switzerland.

2.14 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Switzerland? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

A broad network of income tax treaties exists, some not only cover income tax but also wealth taxes.

Switzerland generally applies the exemption method for qualified foreign-sourced income and not a tax credit method. However, when dividends, interest, and royalties are derived from a country/jurisdiction with which Switzerland has concluded a tax treaty, a tax credit is available to the extent of the agreed foreign right of taxation.

A separate treaty claim to apply for the refund of foreign withholding taxes is normally required and there are strict time limits for filing such claims.

Dividends derived from non-treaty countries/jurisdictions must be reported gross before the deduction of foreign withholding tax.

In accordance with internal Swiss law and treaty regulations, foreign-sourced income is excluded from taxable income when derived from a permanent establishment located in a foreign country/jurisdiction (as defined by treaty law or, in the absence of a treaty, by Swiss internal law). Also excluded is income from real estate located abroad. In addition, certain types of income (such as directors' fees, special pensions, partnership profits, and so on) may be exempt in Switzerland, if a treaty so provides. However, the exempt income is normally taken into account in determining the effective rate of Swiss tax (an exemption with progression).

All other foreign-sourced income is basically taxable in Switzerland. In the absence of a tax treaty, foreign-sourced income is taxed gross of any foreign income taxes or withholding taxes imposed on such income by the source country/jurisdiction.

2.15 General tax credits

What are the general tax credits that may be claimed in Switzerland? Please list below.

Switzerland does not use tax credits and there are therefore no further credits available than those already referred to in the previous sections.

2.16 Sample tax calculation

This calculation assumes a married taxpayer resident in Switzerland with two children whose 3-year assignment begins 1 January 2022 and ends 31 December 2024. The taxpayer's base salary is 100,000 CHF and the calculation covers 3 years.

	2022 CHF	2023 CHF	2024 CHF
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	5,000	5,000	5,000
Moving expense reimbursement	20,000	0	0
Home leave	0	5,000	5,000
Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year. Interest income is not remitted to Switzerland.

- The company car is used for business and private purposes and originally cost CHF 50,000. The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

Calculation of taxable income

Year-ended	2022 CHF	2023 CHF	2024 CHF
Days in Switzerland during year	365	365	365
Earned income subject to income tax			
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Net housing allowance	12,000	12,000	12,000
Company car	5,000	5,000	5,000
Moving expense reimbursement	20,000	0	0
Home leave	0	5,000	5,000
Education allowance	3,000	3,000	3,000
Total earned income	170,000	155,000	155,000
Other income	6,000	6,000	6,000
Total income	176,000	161,000	161,000
Deductions	47,686	46,228	46,228
Total taxable income	128,314	114,772	114,772

Calculation of tax liability

	2022 CHF	2023 CHF	2024 CHF
Taxable income as above	128,314	114,772	114,772
Swiss tax thereon (percent)	15.20	13.78	13.78

Swiss tax thereon (cantonal/communal*)	15,753	13,263	13,263
Swiss tax thereon (federal)	3,750	2,552	2,552
Total Swiss tax	19,503	15,815	15,815

*Tax rates for the canton and city of Zürich; rates for 2024 provisional

[1.] Certain tax authorities adopt an "economic employer" approach to interpreting Article 15 of the OECD model treaty which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country/jurisdiction for a period of less than 183 days in the fiscal year (or, a calendar year of a 12-month period), the employee remains employed by the home country/jurisdiction employer but the employee's salary and costs are recharged to the host entity, then the host country/jurisdiction tax authority will treat the host entity as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country/jurisdiction.

[2.] Sample calculation generated by KPMG AG, the Swiss member firm affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity, based on the Swiss Federal Tax Administration, the various cantonal tax administrations and the Swiss Social Security Administration.

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Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residency considerations for short-term assignments

Assignees coming from a country with a double taxation treaty with Switzerland will generally be subject to the provisions of Article 15 of the double tax treaty (such as, 183 days test). The economic employer principle typically applies.

If assignees come from a country which has no double taxation treaty with Switzerland, these individuals are normally taxable from their first day in Switzerland - and there is no unilateral relief from double taxation in Switzerland.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

Unless exempted under Article 15 of the double tax treaty, the Swiss entity to which the employee is assigned is required to withholding tax for all L and B permit holders. Income paid out in the home location will need to be shadowed in the Swiss entity. If an exemption under the double tax treaty is available, the exemption from payroll withholding generally needs to be requested with the tax authorities.

3.3 Taxable income

What income will be taxed during short-term assignments?

Salary and other standard compensation not exempted by a double tax treaty.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment to Switzerland?

Short-term assignees will require a relevant work permit for Switzerland.

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Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Switzerland? If so, what are the rates for employers and employees?

4.1.1 Employer and Employee

Type of insurance	Paid by employer	Paid by employee	Total
Old age and disability	5.3%	5.3%	10.60%
Unemployment insurance	1.10%	1.10%	2.20%

Additionally, for Canton of Geneva only:

Mandatory

Type of Insurance	Paid by employer	Paid by employee	Total
Maternity Insurance	0.038%	0.038%	0.076%

Resident individuals and individuals having a gainful activity in Switzerland are required to contribute to the mandatory old age and disability insurance scheme. Employers must also contribute. The contribution is 10.6 percent of total remuneration (unlimited) of which 5.3 percent is charged to the employee and 5.3 percent to the employer.

Individuals having a gainful activity in Switzerland are also subject to mandatory unemployment insurance. The contributions (employee and employee each pay half of the total) are 2.2 percent of remuneration up to an annual salary of CHF148,200.

Switzerland has concluded social security treaties with more than 30 countries/jurisdictions. Providing certain conditions are met, exemption is available for a certain period from the Swiss social security system if an employee continues to contribute to their home social security system. Please note that special regulations apply to individuals from countries/jurisdictions from the European Union.

Private retirement and disability pensions are compulsory for most employees, subject to the Federal Old Age and Disability Insurance for annual earnings between CHF 22,680 and CHF 90,720. The employer’s contributions must be at least equal to those of the employee. Rates vary according to age. Most pension plans give additional pension cover in excess of these minimum requirements.

Contributions to foreign pension plans may be deductible provided the plan is considered to meet the same requirements as a Swiss pension scheme (such as insured risks, insured population, benefits, and so on).

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Switzerland?

All cantons, but not the federation, levy a wealth tax on their residents, which is generally imposed on the worldwide net worth of the taxpayer, excluding the value of foreign real estate and foreign permanent establishments. Excluded assets are, however, taken into consideration in determining the wealth tax rates, which are progressive (annually 0.1 percent to 1 percent of taxable net worth). Some cantons exempt taxpayers whose wealth is below a certain level.

All debts are deductible and are allocated to the assets pro rata to their values irrespective of how the asset is financed.

There is no federal inheritance or gift tax. However, most cantons impose such taxes on their residents or on real estate located in their jurisdiction. In general, cantonal inheritance tax is levied on all inheritances and is based on the total net estate. The rate depends upon the relationship between the heirs and the deceased person. All cantons exempt spouses from inheritance and/or gift tax and most cantons also exempt dependents from inheritance and/or gift taxes or levy very low taxes for children between 0 percent and 3.5 percent. The maximum tax burden amounts to up to 49.5 percent of the estate in the case of inheritance to an unrelated third person. The last canton of residence of the deceased person or donor has the right to tax the beneficiary irrespective of the beneficiary's residence, subject to any relevant tax treaty. The canton has the right to levy inheritance tax on all persons whose last place of residence was in that canton or who held immovable property located in that canton at the date of death.

Gift tax is generally levied in a similar manner to inheritance tax with the exception of the canton of Lucerne that does not generally levy a gift tax.

4.3 Real estate tax

Are there real estate taxes in Switzerland?

Many, but not all Swiss cantons, levy an annual real estate tax on real estate in their jurisdiction and there are different systems of real estate taxation existing in each canton.

Switzerland does not tax gains made on the disposal of investment or personal assets with the exception of the taxation on profits resulting from the sale of real estate in Switzerland.

The rules and rates for capital gains on the disposal of real estate vary from canton to canton and depend on how long the property was held.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Switzerland?

Switzerland levies value-added tax at a standard rate of 8.1 percent. Certain products are exempt from this tax (such as, healthcare, social security, insurance, and export of goods); others are taxed at a reduced rate of 2.6 percent.

Finally, any overnight stays at a hotel and other accommodations will be taxed at a rate of 3.8 percent.

The above rates are the increased rates in force since January 1, 2024

4.5 Unemployment tax

Are there unemployment taxes in Switzerland?

In Switzerland there is no unemployment tax. Employees are protected by an unemployment insurance system, to which they contribute equally with their employer (1.1 percent each subject to a salary cap of CHF 148,200; no surcharge of 0.5 percent as of 2023).

4.6 Other taxes

Are there additional taxes in Switzerland that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Church taxes

For the recognized churches in the respective cantons (most often Swiss Protestant Church, Roman Catholic, and Old Catholic churches) a church tax is levied by most of the cantons.

Local taxes

There are no further income taxes on a local level applied on individuals, but some cantons or communes still levy a small personal tax, a firefighters’ tax and luxury taxes like dog taxes.

Stamp duty

There is a stamp duty on security transactions, transfer taxes amounting to 0.3 percent on foreign securities and 0.15 percent on Swiss securities.

4.6.1 Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction’s fiscal or banking authorities?

All Swiss residents and Non-residents that have the obligation to file a Swiss tax return have to disclose all of their worldwide assets and income in the index of assets and securities of the tax return towards the Swiss tax authorities

05

Immigration

5 Immigration

Following is an overview of the concept of Switzerland's immigration system for skilled labor.

This summary provides basic information regarding business visits to, and work authorization for, Switzerland. The information is of a general nature and should not be relied upon as legal advice.

With regard to entry and residence into Switzerland it has to be differentiated between nationals of the European Union (EU) respectively the European Economic Area (EFTA) and so-called third-country nationals.

Foreign nationals who intend to engage in active, productive employment in Switzerland will – with a few exceptions – need a Work Permit and – depending on the duration of their activity in Switzerland – a Residence Permit. Depending on the purpose of travel to Switzerland and the nationality of the traveler, there are different types of work permits and visas that will apply to the occasion, and which vary in their processes and processing times. For all work permit types, foreign nationals must coordinate with their employer to collect and potentially legalize corporate and personal documentation.

Switzerland grants foreign nationals' access to the Swiss labor market based on a dual system. Under the "Agreement on the Free Movement of Persons" EU/EFTA nationals regardless of their qualifications, are entitled to a Swiss residence and work permit provided that they are employed by a Switzerland based employer. Hence, instead of filing a formal application, they may simply register with their Swiss residence community.

Employees from all other states, independent of whether locally employed or assigned, as well as assigned EU/ EFTA nationals, have to formally apply for a residence and work permit (incl. entry visa, if required), whereas admittance is basically given only to senior managerial staff and highly qualified and/or specialized professionals. In case of non-EU/EFTA nationals to be locally employed, evidence on vain recruiting efforts on the domestic and EU labor market is required in addition.

Switzerland distinguishes further between Non-Visa Nationals and Visa Nationals. Non-Visa Nationals can enter Switzerland for business visitor purposes without the need to apply for an entry visa.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Switzerland as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

If Non-EU nationals visit Switzerland as either tourists or business visitors (performing no material gainful activity), they are allowed to enter Switzerland as tourists or business visitors using their passports for up to 90 days within a 180 day rolling period.

In some cases, a treaty or special agreement authorizes citizens of certain countries to enter Switzerland without obtaining a visa. There are many countries that have established visa exemptions with Switzerland. Switzerland visa waivers often permit foreign nationals to conduct non-material business activities for up to 90 days within a 180 day rolling period, provided they are citizens of a country that has a mutual immigration agreement with Switzerland.

Overview of visa exemptions for entry into Switzerland:

https://www.sem.admin.ch/sem/en/home/publiservice/weisungen-kreisschreiben/visa/liste1_staatsangehoerigkeit/a.html

According to Swiss law, in general and independent of its duration any material gainful activity of non-Swiss nationals on assignment in Switzerland is considered work that is subject to possible work permit requirement and applicable Swiss minimal work and salary conditions. Whereas “any material gainful activity” shall be understood as any material activity that is typically performed against salary (no matter whether effectively paid or revenue generating in the concrete case).

Thus, whether or not a certain activity, in particular a short term/business traveler activity might exceptionally be exempt from the work permit requirement must be assessed on a case by case basis. Swiss immigration law does hardly provide for any specific rules in this regard (no specific law on business visitors/travelers). Also, there is hardly any case law nor clear authority practice supporting a better understanding of where the line in this grey area can be drawn. In case an activity is considered as material gainful work, the work permit requirements apply according to a Long-Term Assignment.

The following mode of calculation will apply: A traveler is required to count back 179 days from the current day of stay. The current day of stay counts as the 180th day. Within this time frame the days of stay in all Schengen member states must not exceed 90 days. Days of stay spent in the issuing Schengen member state (in this case: Switzerland) on the basis of a national visa or national residence permit do not count against the 90 days limitation.

The short-stay calculator on the following website can be used for calculating the period of allowed stay under the Schengen rules:

http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/border-crossing/index_en.htm

In addition to Switzerland, the following countries are considered as Schengen member states: Austria, Belgium, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, and Sweden.

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

Visa nationals are required to obtain a Schengen (C) visa to be able to enter into Switzerland for business visitor activities. The Schengen Visa is typically issued for multiple entries. Although circumstances may vary, a business visitor may receive authorization to visit Switzerland for up to 90 days within a 180-day rolling period.

Schengen Visas are generally not eligible for in-country extension, however in exceptional cases an extension would be possible.

The application for the Schengen Visa must be filed at the Swiss embassy/consulate in the respective country of residence in order to be allowed to enter Switzerland for up to 90 days within a 180 day rolling period.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

- Document gathering (1-2 weeks)
- Book visa appointment at the Swiss embassy/ consulate at the place of residence (1 day)
- Prepare Visa application (1-2 days)

- File Visa application with the Swiss embassy/ consulate at the place of residence (5-10 business days): the visa application can be submitted no earlier than three months before the planned entry into the Schengen area
- Obtain Visa and travel to Switzerland (1 day)

GENERAL REQUIREMENTS FOR BUSINESS VISITORS

The documents which must be submitted along with the visa application as well as the procedure differ depending on the applicant's country of residence. To find out which documents you need to submit, please refer to the following link to view the visa application conditions for your country:

https://www.eda.admin.ch/eda/en/home/entry-switzerland-residence/visa-requirements-application-form.html

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

No, there are no visa waiver programs or specific visa categories for technical support staff on short- term assignments. Technical support staff has to undergo the same process as any other staff to get a work authorization for Switzerland.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Switzerland? In this context outline whether a local employment contract is required for the specific permit type.

L-permit (applicable for both, local employment contract for Switzerland and assignment)

Work permit is usually valid for 12 months with the option to extend it for another 12 months - physical permit needs to be renewed every year. Registration with local resident’s registration office in Switzerland required/mandatory.

B-permit (applicable for both, local employment contract for Switzerland and assignment)

Work permit is usually issued once the employee in question has had an L-permit for the last 24 months - physical permit needs to be renewed every year (except for locally employed EU nationals who may receive a B-permit right from the beginning with a validity for (initially) five years). Registration with local residents’ registration office in Switzerland required/mandatory.

C-permit (permanent residence) (local employment contract for Switzerland required)

- Free to change jobs/employer in Switzerland
- Integration requirement to receive a C-permit depends on the canton of residency; in general:
  - Country nationals with no existing settlement agreement:
  - They may apply for a C-permit if they have resided in Switzerland for 10 years and have held a B-permit continuously for the last 5 years. Additional criteria – such as language level, etc. – also have to be met.
  - A C-permit may also be granted after 5 years – provided that the person is well integrated and certain additional criteria are fulfilled (e.g., usually proof of higher official language level required than after 10 years).
  - Country nationals with existing settlement agreement:
  - They may apply for a C-permit after 5 years. Some of them have to fulfill certain criteria, e.g., being well integrated, certain language level, etc.

- Spouses of foreign nationals who are in possession of a C-permit (for at least 5 years) or of Swiss nationals may apply for a C-permit after 5 years – provided that they are well integrated.

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

Document gathering (1-2 weeks)

4 File application with the authorities to obtain a work permit approval (4-8 weeks)

5 Final approval

6 Book visa appointment at the Swiss embassy/ consulate at the place of residence (1 day)

7 Prepare Visa collection documents (1-2 days)

8 File Visa application with the Swiss embassy/ consulate at the place of residence (1-7 business days)

9 Obtain Visa and travel to Switzerland (1 day)

10 Register with local town hall within 2 weeks of moving to Switzerland and in any case prior to taking up work in Switzerland (1 day)

11 Book appointment with Immigration authorities for biometric data (1 day)

12 Attend appointment and provide biometric data

13 Physical work and residence permit is issued

The general processing time highly depends on the permit type, the authorities involved in the process and the place of filing the application. In general, the process can take anywhere from 4 – 8 weeks, from the day of filing the application with the responsible authority.

Depending on the permit type, the maximum validation is up to 5 years; potentially with the possibility of renewing the permit.

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?

An employee who is to work in Switzerland for a non-Switzerland domiciled employer must be paid a salary for the time being in Switzerland which is in line with the customs in the relevant Swiss canton and industry. Thus, the Swiss immigration authorities always check on the salary requirements when processing a work permit application.

All 26 Swiss cantons apply their own standard salary levels and when determining a relevant reference salary always look at every case individually, having a lot of discretion thereby. All cantons, however, base their assessment on their statistical reference salaries for comparable Swiss employees in their canton. This means that for all sorts of activities and groups of employees they apply a statistical reference salary range and usually request the assigning employer to pay the average of such statistical salary range to the employee.

To the extent whatsoever kind of compensation for work performed in Switzerland qualifies as fixed salary component without having an expense compensational character, such compensation is taken into account by the authorities when assessing whether or not the Swiss minimum (or rather reference) salaries are properly met.

On top of that, the employer must pay the employee the expenses for housing and meal effectively occurring for the first 12 months of an assignment. Also, travel costs need to be borne by the employer.

Is there a fast-track process which could expedite the visa/ work permit?

There is no fast-track process to expedite the visa/work permit process.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?

The EU local hires can take up work once the employee has registered with the local commune in Switzerland. Assignees and non-EU local hires can take up work once their work permit application has been approved, and once they have, thereafter, registered with the local commune.

Can a short-term permit/ business visa be transferred to a long-term permit in Switzerland?

Technically it would be possible to transfer a short-term permit/ business visa to a long-term permit in country. This needs to be reviewed case by case as it is highly depended on the circumstances. If a transfer would not be possible, the applicant would need to leave Switzerland and anew apply from their place of residence outside of Switzerland.

Is it possible to renew work and residence permits?

Depending on the permit type it would be possible to renew work and residence permits in Switzerland. The renewal process can take place in Switzerland, the applicant is not required to leave the country. The renewal process has to be started timely in advance.

Is there a quota or system or a labor market test in place?

Regardless of whether the employees are locally employed or assigned, employees from non- EU/EFTA countries as well as assigned EU/EFTA nationals are basically only admitted in limited numbers (quotas) to the Swiss labor market. The concrete quotas are announced yearly by the federal immigration authorities. The tight quotas in connection with the great demand have led to a very restrictive admission practice. Thus, only detailed and properly documented work permit applications based on solid reasoning have a realistic chance of success.

Further, employers are legally required to register vacancies in occupations where the national unemployment rate is at least 5 percent with the regional employment center (RAV). The job vacancy has to be exclusively published for 5 working days on an online job portal that can only be accessed by jobseekers registered with the RAV before it can be advertised elsewhere (publication ban).

5.3 General Immigration Related Questions

Dependents are allowed to join the main applicant, if the assignment duration is longer than 4 months/120 days per year. According to Swiss immigration law, spouses (marriage certificate required) and/or children under 18 years (for non-EU nationals) or under 21 years (for EU/EFTA nationals) are considered as dependents. Spouses, including same-sex spouses, may accompany employees to Switzerland. In certain circumstances, if the spouse does not hold an A1 Level language certificate of the language spoken in the specific Swiss canton, a registration for a language course to obtain A1 Level is required.

Is it possible to obtain a permanent residence permit?

Yes, it is possible to obtain a permanent residence permit (C-permit). Integration requirement to receive a C-permit depends on the canton of residency; in general:

- **Country nationals with no existing settlement agreement:**

  They may apply for a C-permit if they have resided in Switzerland for 10 years and have held a B-permit continuously for the last 5 years. Additional criteria – such as language level, etc. – also have to be met.
- A C-permit may also be granted after 5 years – provided that the person is well integrated and certain additional criteria are fulfilled (e.g., usually proof of higher official language level required than after 10 years).
- **Country nationals with existing settlement agreement:**

They may apply for a C-permit after 5 years. Some of them have to fulfill certain criteria, e.g., being well integrated, certain language level, etc.

- Spouses of foreign nationals who are in possession of a C-permit (for at least 5 years) or of Swiss nationals may apply for a C-permit after 5 years – provided that they are well integrated.

What if circumstances change after the Work and Residence application process (e.g., change of employment or personal situation, including job title, job role or salary)

Any change in the term of the employment or personal situation, including job title, job role or salary may require that a new work permit needs to be secured or an appropriate notification to be made.

How long can a permit holder leave Switzerland without their permit becoming invalid?

According to Swiss Immigration law, in principle, a B- or C-permit may only be maintained, if the individual keeps up his/her centre of life interest in Switzerland, which typically requires that the individual

- does not stay outside Switzerland for a consecutive 6 or more months period (short returns of a few days do not break this rule); and
- does spend at least half of his/her time per year in Switzerland (approx. 180 days).

According to Swiss Immigration law, in principle, a L-permit may only be maintained, if the individual keeps up his/her centre of life interest in Switzerland, which typically requires that the individual

- does not stay outside Switzerland for a consecutive 3 or more months period (short returns of a few days do not break this rule); and
- does spend at least three-quarter of his/her time per year in Switzerland (approx. 270 days).

Must immigration permissions be cancelled by the end of the assignment/employment?

In case of a termination of the employment before the end of the validity of the permit, the immigration authorities should be informed. A de-registration at the local town hall needs to take place when the foreigner leaves Switzerland for good.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Failing to comply with Swiss immigration rules may lead to fines, criminal sanctions, assignment bans, blacklisting on official publicly accessible authority websites, reputational damage, loss of employer attractiveness and employee/client trust.

The various possible sanctions and penalties at administrative or criminal level under the Federal Act on Foreign Nationals (“FNA”), the Posted Workers Act (“PWA”) and the Swiss Criminal Code (“SCC”) ranging from financial penalties to imprisonment.

5.4 Other Important Items

List any other important items to note, or common obstacles faced, in Switzerland when it comes to the immigration processes.

Below you will find a list of other important items to note and the most common obstacles:

- **Payment conform Swiss minimum wage standards**
- **Salary needs to be comparable to a salary of a Swiss employee**
- **Apostilles/Legalization/ Verification process**

- **Translations** – certain documents would require a German/Italian/French/English translation
- **Prior criminal records** – these can often result in a refusal of a residence permit
- **Cantonal differences** – each canton in Switzerland has different practices and requirement to obtain a work and residence authorization, therefore prior to submitting an application it is highly recommended to clarify the specific requirements with the responsible authority

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