TAXES IN EUROPE

2025

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Switzerland

Capital city:
Bern

Area:
41,285 km²

Population:
9,066,950

Languages:
German/French/Italian

Political system:
Federal state with parliamentary system

GDP/capita 2023:
USD 99,565

Currency:
Swiss franc

ISO Code:
CHE

Telephone code:
+41

National day:
1 August

Switzerland

1. Corporate taxation

1.1 Taxes on entities

Legal entities with capital, cooperatives and all other legal persons are subject to profit tax at the cantonal and federal level and to capital tax at the cantonal level.

1.2 Residence and non-residence

Liability based on a personal connection is unlimited. This is the case if a company is entered in the commercial register and has its registered office in Switzerland or if its effective management is located in this country; it does not, however, extend to foreign companies, permanent establishments abroad and real estate located abroad.

Legal entities that have neither their registered office nor their effective management in Switzerland are subject to limited taxation by reason of a so-called economic connection, as is the case when:

- they are associated with a company established in Switzerland;
- they operate a permanent establishment in Switzerland;
- they own a building located in Switzerland or they have in rem rights or personal rights economically comparable to in rem rights on such a building;
- they are the holders or beneficiaries or claims secured by a mortgage or pledge of buildings located in Switzerland;
- they trade in buildings located in Switzerland or act as intermediaries in real estate operations.

Taxpayers who have their registered office or effective management abroad are subject to taxation limited to their share of Swiss-source taxable profit and capital.

1.3 Tax year and filing

In general, the company tax return must be completed and submitted to the tax authorities by 30 April if the accounts are closed by 31 December of the previous year. After completing the return, the company receives a tax notice and must pay it. Instalments are used, payable throughout the year.

Generally, a corporate income tax return must be filed by 1 April. After filing a return, a tax assessment is received which must be paid. Provisional assessments are used which are payable in the course of the year.

1.4 Types of income

Profit tax is calculated on the basis of the net profit made during the financial year.
Deductions justified by commercial use. In addition to the expenses incurred in the interest of the operation, the deductions include:

- federal, cantonal and municipal taxes;
- payments into benefit schemes for employees;
- voluntary payments made in cash to legal entities which have their registered office in Switzerland, and which are exempt by reason of their public service or entirely public utility nature, up to 20% of the net profit;
- rebates, discounts and refunds;
- depreciation;
- specific provisions are applicable for companies holding patents and comparable law (Patent box), as well as for companies active in research and development.

Reinvestment

When real estate property necessary for the business activity is replaced, the hidden reserves of this property may be carried over to elements acquired by reinvestment.

1.5 Group income and grouping arrangements

The system provides for a separate taxation for all legal entities. There is therefore no tax consolidation of groups.

1.6 Capital gains

Apart from the tax exemption for certain activities (see exemption), all capital gains are treated as ordinary income. However, tax relief is provided under certain conditions for returns from the holding of participation rights.

1.7 Losses

The losses of the seven financial years preceding the tax period may be deducted from the net profit for the current period, provided that they have not been taken into account in the calculation of the taxable profit of these years.

Losses may lapse on a change of shareholders and a change of the business.

The losses of previous financial years not yet deducted from the profit can also be subtracted from benefits that are intended to balance a loss within the framework of a reorganisation.

1.8 Exemptions

Corporations are exempt from the tax on the exclusive part of the profit which is irrevocably allocated to a purpose of public service or public utility (no economic purpose) as well as religious (pursued on the plan. national).

1.9 Rates

Corporate income tax is levied at a national level at the rate of 8.5% and at a cantonal level at the rate of 7,77% (Geneva Canton). The cantonal rates are applicable to income after tax.

The Swiss tax system affords great autonomy to the cantons.
The tax laws, both federal and cantonal, provide for different individualised benefits (for example: exemptions, authorised deductions, tax agreements, etc.) which are not mentioned in this brief presentation.

1.10 Double taxation relief

Legal entities which at the time of taxation, hold at least 10% of the share capital in shares or of the share capital of another company, or an investment representing a monetary value of at least CHF 1,000,000, have an income tax reduced proportionally to the relationship between the net return of these investments and the total net return.

It should be noted that the capital gains made on the investments come under this category under certain conditions.

The transactions which are reflected within the group by an unjustified tax saving will incur a correction to the taxable profit or a lessening of the reduction.
The tax saving is unjustified if the capital profits and losses or the depreciation relative to the investments have a cause and effect relationship.

2. Personal income taxation

2.1 Taxes on income

The tax is calculated on the total income of the taxpayer from a gainful activity, the return on moveable or real estate assets, or other sources of income. Also taken into account in this income are all benefits in kind (for their market value).

There are also social security contributions which are paid by the employee and the employer.

2.2 Residence and non-residence

Residents

A person is considered a resident in Switzerland for tax purposes when, without any significant interruption:

- he resides there for at least 30 days and carries out a gainful activity there;
- he resides there for at least 90 days but without carrying out a gainful activity there.

For an individual, income is taxable in the place of his domicile. According to case law, a legal domicile is regarded as the place where the resident has his centre of interest (family, economic and social interests), as well as the intention to settle there.
Thus, depending on the domicile and residence of the person, the administration considers the existence of a qualified personal connection with Switzerland. The tax liability is then unlimited.

Non-residents

Conversely, liability is limited where it is based solely on an economic link. Non-residents are: individuals, , who stay or are domiciled abroad, including:

- persons who are the owner or beneficial owner of moveable or real estate property or claims, located in Switzerland;
- persons carrying out a gainful activity in Switzerland, or who, as members of boards of directors or management bodies of legal entities (having their registered office in Switzerland), receive bonuses, attendance fees, fixed compensation or other remuneration;
- persons receiving retirement benefits, pensions, old-age or disability allowances from Swiss public funds.

- Self-employed persons in Switzerland, such as craftsmen, artists, sportsmen and lecturers.

Income from real estate located in Switzerland is taxed in Switzerland, and the tax liability is limited to said income.

For non-residents acting as members of board of directors or management bodies of legal entities having their registered office in Switzerland, the bonuses, attendance fees, fixed compensation or other remunerations are taxed in Switzerland.

2.3 Tax year and filing

The tax year is the calendar year.

In general, a tax return should be filed by 1 April after the end of the tax year concerned but postponement for filing may be given. This date may be postponed upon request, provided that all instalments of the previous tax year are paid.

After filing, a return on assessment is received. Provisional assessments are used which are payable in the course of the year.

2.4 Types of income

The tax basis is composed of the income after deductions and the various exemptions.

In general, the costs and expenses necessary to carry out the gainful activity are deductible from the gross taxable income, as are the general deductions and the social deductions, as well as:

- social charges;
- sickness, accident, life social insurance;
- interest on debts;
- maintenance payments;
- personal deductions ;
- childcare costs ;
- deductions for children and dependants;
- training costs.

Deductions may be authorised either in their entirety, or on the basis of a maximum ceiling. They can be calculated on the basis of actual elements or on the basis of coefficients.
The category of income determines the types of deductions authorised.

Direct taxes are not deductible.

2.5 Capital gains

In general, all returns on movable and immovable assets are taxable.
The tax is calculated on the capital gains made following the disposal or realisation of property, such as buildings, the capital gains from the assignment of securities, the liquidation surplus in the event of the transfer or disposal of a business, etc.
The capital gains made following a real estate sale are subject to a special taxation proportional to the duration of the ownership of the property on the date of the disposal, when said property was part of its owner's private assets.

2.6 Losses

Only losses from self-employment can be deducted from taxable income. This is under the same conditions as for legal persons. (See 1.7 Losses).

2.7 Exemptions

There are no exemptions in respect of personal income taxation.

However, some tax concessions are provided for in certain conditions, with regard to income from the holding of participatory rights.

2.8 Rates

The income tax rate is determined according to a federal and a cantonal scale, on the taxpayer's total income. The tax is then levied only on those items that are taxable in Switzerland.

2.9 Social security

Social welfare in Switzerland does not constitute a unified system. The legislature has tended to largely preserve the role of private insurance in relation to the federal State.
Most of these social charges are the subject of contributions directly withheld on wages. The others (mandatory or optional) remain strictly private.

Social security contributions consist of various types of funds. The typical amounts deducted are as follows:

- Unemployment insurance:
  1.1% paid by the employer and 1.1% paid by the employee up to a maximum annual wage of CHF 148,200, beyond which an addi-tional contribution of 0.5% is paid by the employer and 0.5% is paid by the employee is collected;

- Daily indemnity in case of long term sickness:
  voluntary deduction for the employer;

- Old-age and survivors insurance, disability insurance, loss of income insurance (military):
  5.30% borne by the employer and 5.30% borne by the employee;

- Family allowance:
  2.25% borne by the employer;

- Accident insurance:
  compulsory withholding, “professional accidents” premium borne by the employer, “non-professional accidents” premium borne by the employee;

- Professional welfare scheme:
  borne in equal shares by the employer and employee;

- Federal maternity insurance, funded through contributions to the old-age insurance above.

For foreign workers, there are international conventions concluded between Switzerland and other countries. These conventions govern the social coverage of these workers (in particular since the signing of bilateral agreements with the European Union).

2.10 Expatriates

For qualifying expatriates coming into the country there is a special ruling which allows a maximum deduction on revenues of CHF 18,000.

Under certain conditions, a special ruling which allows for 10% of the total remuneration to be paid tax free, may be applicable (Geneva canton).

2.11 Options

Employee options must be taxed at the time of the sale or exercise of the option. The entire proceeds from the disposal or benefit of the exercise of the right, after the deduction of a possible price cost, are taxable.

As for the tax treatment in international relations (departure of the beneficiary of the option from Switzerland and the arrival in Switzerland of a holder of options), they must be assessed in a particular way for each case.

2.12 Partnerships

Partnerships are treated as transparent entities and the income is therefore taxed directly in the partners' hands. There is an exemption for the so-called open limited partnership where the limited partners are treated as shareholders.

2.13 Pensions

Contributions to pension funds are deductible within the framework of the determination of the net taxable income. Benefits related to the pension fund are taxable as gross taxable income.

3. Inheritance and gift tax

In Switzerland, inheritance tax is handled by the cantons. There is no federal inheritance tax.

All property acquired as a result of death or disappearance is subject to inheritance tax. The domicile and nationality of the beneficiary have no effect on this taxation.

Only the real estate or moveable property located in the canton can be taxed by the latter.
Various exemptions are allowed which reduce the amount of the taxable estate. The list of these exemptions is contained in the various cantonal laws.
For the canton of Geneva, the inheritance tax rates depend on the kinship ties between the beneficiaries and the deceased the donor. Currently in same canton, any estate or gift inter vivos made between direct line relations (including spouses) is exempt by right.

The same rights exist for inter vivos gifts.

4. Wealth tax

Maximum rate (Geneva canton) 1%.

5. Value Added Tax

5.1 Rates

Since 01/01/2024,VAT is levied at 8.1% for services and certain goods. A reduced rate of 2.6% applies to food, books and certain other necessities.

Special rate for accommodation: 3.7%.

There is a 0% rate for the export of goods.

5.2 Distance selling to an individual located in Switzerland by a company located in the European Union.

Mail order companies are subject to Swiss VAT if their annual turnover is ≥ CHF 100,000.

6. Other taxes

Other important taxes include:

- Transfer tax of 3% on property (Geneva canton);

- Property tax, which is a local tax based on the value of the property, which is determined each year;

- Stamp duties:

    - issuance tax on the creation of companies; the rate is 1% and the first CHF 1,000,000 are tax-free;
    - trading tax, on the marketing of securities;
    - tax on insurance premiums.

A tax paid in advance (advance tax) of 35% withheld at source is levied on investment income. This concerns the interest, annuities, dividends and all other income from Swiss entities or companies.

Individuals and legal entities are entitled to a refund of the withholding tax deducted if they are domiciled in Switzerland (on maturity of the taxable proceeds) and provided that the income subject to withholding tax is declared.The advance tax constitutes a definitive charge for investors domiciled abroad, who are deprived of the right to reimbursement. However, persons domiciled in States having concluded a treaty with Switzerland providing for the double taxa- tion, can avail themselves of the right to total or partial repayment.

7. Foreign income

Subject to double taxation conventions, tax is levied on all income. The income derived from activities carried out abroad, of permanent establishments and real estate located abroad, are nevertheless exempt. However, to determine the tax rate, all of the taxpayer's income is taken into consideration. The tax is then levied only on those items that are taxable in Switzerland.

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