

**Residency program and lump-sum
taxation in Switzerland**

December 2019



Introduction

Moving to Switzerland

Introduction

Conditions for a Swiss residency permit «Permit B»

General conditions to receive a residency permit for non UE nationals without any gainful employment

- Apply for a visa through a Swiss diplomatic/consular mission in the country of residence;
- Rent or acquire a real estate in Switzerland;
- Adequate financial resources to cover the cost of living in Switzerland;
- Have a health insurance policy that also includes accident coverage;
- Request a residency permit.

Students must also submit the following documents with their visa application:

- Study of no more than 8 years;
- Personal study plan with information about the purpose of studies;
- Confirmation of enrolment with a recognised educational institution;
- Personal curriculum vitae;
- Confirmation that they will leave Switzerland at the end of their education and training.



Introduction

Swiss residency permit – Economical interest

- Have an appropriate housing;
- Have the necessary financial means, to such an extent that the risk that the person will not end up depending on public assistance.

With regard to residence due to major cantonal tax interests

- Formal commitment not to engage in any gainful activity in Switzerland and to not manage gainful activity either in Switzerland or abroad from Switzerland, with the exception of the management of one's own assets;
- Copy of the tax package concluded with the Cantonal Tax Administration;
- If existing, a copy of the notarial deed relating to the acquisition of real estate or an extract from the Land Register.

Number of quotas

- The 2020 quotas will remain the same as in 2019: Non-EU/EFTA nationals will be subject to quotas of 4,500 long-term B permits.

Introduction

Possibilities and conditions of naturalization

Ordinary naturalization

The Confederation only sets minimum conditions within the framework of the ordinary naturalisation procedure. The cantonal authorities may lay down additional conditions for naturalisation.

The general conditions are :

- Domiciled in Switzerland for at least 10 years, including three of the five years preceding the application,
- Have a residence permit (C permit). *The time spent in Switzerland between the ages of 8 and 18 is twice as long.*
- Some additional cantonal limitation may be applicable (e.g. residence of 2 to 5 years in the same commune, ...).

In addition the following conditions must be met:

- Demonstrate successful integration,
- Familiar with the Swiss lifestyle
- Does not put in danger the internal and external security of Switzerland
- These conditions mean in particular:
 - Able to communicate on a daily basis in a national language;
 - Respect public safety and order (no criminal record registration, no prosecutions/default certificates, taxes paid);
 - Respects the values of the Constitution;
 - Participates in economic life (except for lump-sum taxation as they were not authorized to have such activity) or in the acquisition of training;
 - Familiar with living conditions in Switzerland, which means in particular:
 - Have knowledge of Switzerland in terms of geography, history, politics, society;
 - Take an active part in the social and cultural life of the Swiss population;
 - Interviews with Swiss people.

Introduction

Possibilities and conditions of naturalization

Regular naturalisation procedure and duration

Depending on cantonal legislation, naturalisation applications must be submitted to the commune or to the canton.

Naturalisation procedures vary considerably from one commune or canton to another: some communes, for instance, require applicants to take a verbal or written naturalisation test while others leave the naturalisation decision up to the communal assembly.

The duration of the naturalisation procedure varies considerably from one canton to another.

Fees for a regular naturalisation

Commune* : Between CHF 500 and CHF 1,000 per person

Canton* : Up to CHF 2,000 per person

Confederation : Married couple with or without under-age children: CHF 150

Unmarried individual with or without person under-age children: CHF 100

Under-age child: CHF 50

*These fees vary significantly from one commune or canton to another and should be considered as a ballpark figure.

There may also be additional costs for residence certificate, criminal record certificate, debt registry certificate, etc. Contact the authority responsible for naturalisation for more information.

Lump-sum taxation

Lump-sum taxation

Historical overview



Historical overview

Lump-sum taxation has a long-standing tradition in Switzerland. It was introduced already in 1862 in the Canton of Vaud. It was introduced in the canton of Geneva in 1928 and applied at the level of Switzerland since 1934.

Since 1990, lump-sum taxation is regulated by a Federal law that sets a framework that all the cantons should follow.

On February 8, 2009, the canton of Zurich abolished lump-sum taxation by a referendum (majority of votes of 52.9%). A few cantons followed Zurich's lead and also abolished lump-sum taxation. (Appenzell Ausserrhoden, Basel Landschaft, Basel-Stadt and Schaffhausen), but it is a minority of cantons.

Lump-sum taxation

Historical overview

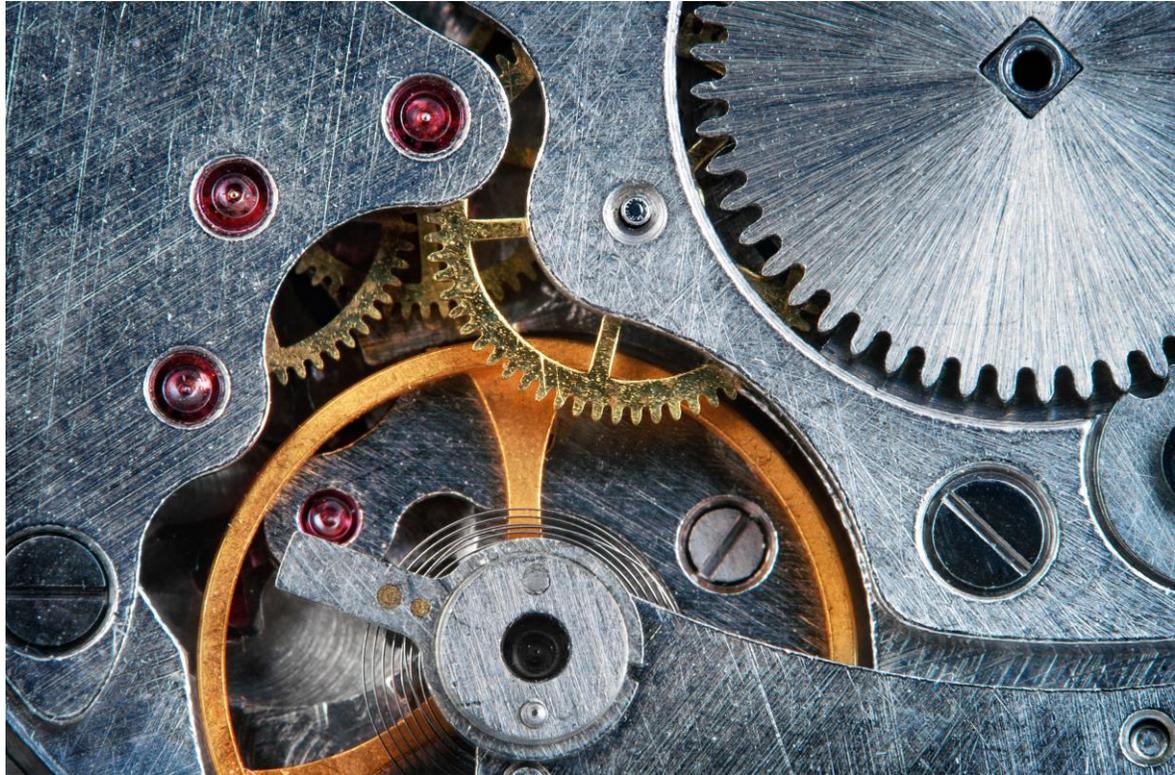


Historical overview – part 2

On September 28, 2012, the Swiss parliament adopted a Federal Act setting stricter conditions for Lump-Sum taxation.

On November 30, 2014, a federal referendum has taken place regarding a vote on the initiative «End tax breaks for millionaires» that intended to abolish Lump-Sum taxation. Voters rejected the initiative by 59.2%. This vote has given a strong democratic legitimacy to Lump-sum taxation.

Lump-sum taxation Requirements



Requirements

The conditions to benefit from the lump-sum taxation regime are the following:

- Non-Swiss citizen;
- Intention to be domiciled in Switzerland and becoming domiciled in Switzerland;
- First time taxed on an unlimited basis (as resident) in Switzerland or after a 10 year absence from Switzerland;
- No gainful activity in Switzerland;
- Spouses living together need to fulfill all the conditions above on their own.

Lump-sum taxation

Mechanism



Taxation mechanism

The lump-sum taxation basis is based on the highest of the following amounts («deemed income»):

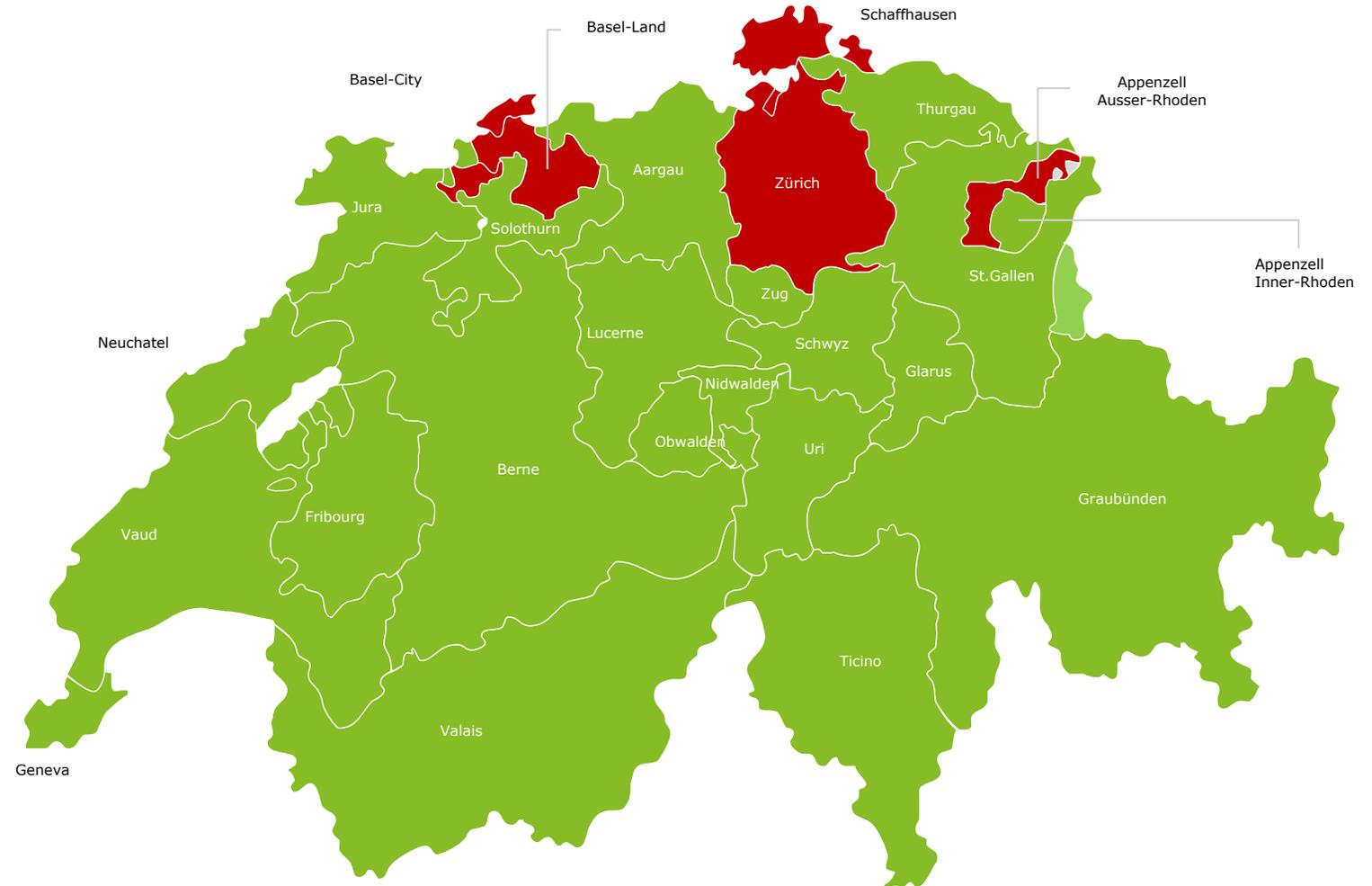
- Expense amount agreed with the tax authorities but minimum amount of CHF 400'000 (for EU citizens) or approx. CHF 1'000'000 (for non-EU citizens in French speaking cantons and specific Double Tax Treaty country);
- Seven times the rent or the rent value of the Swiss property;
- The sum of all revenues deriving from Switzerland or from foreign sources if the taxpayer recovers foreign taxes based on a Double tax treaty.

Then ordinary income tax is then calculated on this amount of expenses. However, a ruling has to be negotiated to state formally the taxable income, as cantons have specificities. An example of the tax could be the following:

Minimum amount of annual tax

	Deemed income	Income tax
Non-EU citizens	CHF 1'000'000	CHF 240'000 - 450'000
EU citizens	CHF 400'000	CHF 96'000 - 180'000

Lump-sum taxation Map



Cantons where lump-sum taxation is possible

Cantons where lump-sum taxation is not applied

Conclusion

Lump-sum taxation

Conclusion



Conclusion

- Lump-sum taxation is based on the expenses incurred by the individual and his family. This amount has to be discussed with the competent Swiss authorities.
- Lump-sum taxation is very interesting for individuals with important income and wealth.
- Lump-sum taxation has a long history in Switzerland and a very strong legitimacy as it was approved by referendum recently.
- Most Swiss cantons allow lump-sum taxation (important exception: Zurich).

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