

NEWSLETTER

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(English machine translation provided as courtesy)

Can you save tax by filing your tax return? You can!

Dear Ladies and Gentlemen

In this artax Newsletter we would like to point out that a tax return submitted on time in Basel-Stadt (within the annual deadline by the end of the year) will result in the reclaiming of the withholding tax being booked on the value date. The 2022 tax return contains the income for 2022 and the reclaiming of the withholding tax from 2022. It is sufficient if the tax return is submitted by the end of the year. Disadvantages may arise if it is not submitted until the following year, which is explained below.

Base Line

The cantonal income and wealth taxes for the tax period 2022 are due on 31 May 2023. This due date applies irrespective of the date on which the tax return is submitted or the date on which the assessment notice is served. The taxes owed must be paid within 30 days of delivery of the assessment notice. A provisional invoice for the due date shall not be issued. The definitive tax claim is made on the basis of the assessment ruling with the tax statement.

Withholding tax is levied by the Confederation on investment income, on winnings from money games as well as from lotteries and games of skill for sales promotion and on insurance benefits. Natural persons are entitled to a refund if they were resident in Switzerland when the taxable benefit became due. They must submit the application for a refund of withholding tax to the tax authority of the canton in which they were resident at the end of the calendar year in which the taxable benefit became due. As a rule, the canton of Basel-Stadt offsets the claim against the cantonal taxes payable.

Regulation in Basel-City

According to Art. 142 of the Basel-Stadt Tax Code, withholding tax credits are credited as an advance payment at the beginning of the year in which they fall due. If the tax

return is not submitted until the following year, the credit begins from the submission of the tax return.

A delayed credit can be avoided if the tax return is submitted in the calendar year, or at least the complete list of securities if the main declaration cannot yet be submitted for a special reason. The tax administration exceptionally accepts such a procedure for special reasons. However, the list of securities must be complete.

If the 2022 tax return is not submitted in this year (2023), but only in the following year (2024), the withholding tax will only be credited in 2024, but the income tax due will still be charged with interest from May 2023. In the case of larger dividend income, there is therefore a debit interest of one year, because the corresponding withholding tax is only credited in the following year. This interest can amount to several thousand francs in the case of substantial dividends.

Extensions of time within one year have no negative consequences for the withholding tax. The interest disadvantage only plays a role in the case of high dividend income. For most taxpayers, this is therefore not relevant.

This type of treatment of withholding tax is more of a special case for the canton of Basel-Stadt. This is because Basel is only now bringing the taxes from the calendar year 2022 due in 2023. This is a past assessment with a postnumerando reference. Hence the credit in the assessment year, which occurs one year later than the assessment year. The reference year is subsequent to the assessment year. The withholding tax of the year 2022 is credited in 2023 and credited for the tax due in 2022 in 2023.

Comparison BS – BL

Other cantons, in particular BL, never credit the withholding tax to the tax year itself, but to the following year. Reason: different due dates of the cantonal tax - in BS only in the following year, in most cantons already in the tax year itself. This is a past assessment with a prenumerando reference. The assessment year follows the assessment year, while the reference year precedes the assessment year. The withholding tax of the year 2022 is credited in the year 2023 and credited for the tax due in 2023.

People who move from Basel-Stadt to Basel-Land notice the difference in the system: They immediately have to pay the old BS 2022 tax and at the same time the 2023 BL tax. People who move from Basel-Land to Basel-Stadt have already paid the BL 2023 tax. However, they will get it back because the 2023 tax is due to move into the canton of Basel-City and will not have to pay this tax until 2024.

Both systems thus have the same interest effect. However, the canton of Basel-Stadt did not receive its tax until later. If it were to change the system, two taxes would be levied on all taxpayers, one for 2022 and one on an ongoing basis for 2023. The canton would thus be rid of all its public debt, but all taxpayers would have liquidity problems. France changed over in 2019, but not with double taxation, but with the omission of a calendar year as a tax period. Many cantons changed their reference systems in the years around 2000, when the switch from two-year past assessment to one-year present taxation took place. Basel retained its system. Only recently, the changeover to the Basel model was again an issue due to a motion in the Basel-Landschaft cantonal council. Although the changeover was considered technically possible, it was rejected again due to liquidity problems with the state or the people. It should also be said that Basel-Stadt is rather the exotic in terms of taxation and 24 cantons are equal to the Basel-Land system.

The separation of cantons in 1833 also had its basis in part in taxes. Wealth tax was only levied in the rural municipalities, while the citizens of the city were spared it. So much for the history of taxation.

Is it worth submitting the tax return on time?

Yes, in many cases it is! If the tax return is prepared in good time, you know the expected tax burden and can plan your tax payments accordingly. In Basel-Stadt this works wonderfully, in Basel-Land an assumption has to be made, since in many places the cantonal and municipal taxes for the current year are already due at the end of September. Of course, interest on arrears can also be avoided if tax payments are rounded up generously. However, a look at the interest tables shows that for a few years now, the Confederation has no longer taken into account interest on remuneration; liquidity is blocked interest-free. The interest on refunds ranges at a low level between 0.2% BL state tax and 0.5% BS cantonal tax, while interest on arrears is taken into account from 3.5% BS via 4.0% Confederation to 5.0% BL.

In order to make the timely submission of the tax return also interesting, withholding tax credits are credited from receipt of the tax return, but at the earliest from 01.04. of the following year, and interest is paid in the same way as payments on account.

If we can also assist you in the area of taxes, our specialists will be happy to help you.

Kind regards

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