

03.11.2020

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New Swiss Tax at Source Rules for 2021

Dear Sir or Madam

As of 1st January 2021, the Swiss government will implement the revised Tax at Source Ordinance. Please find below the possible consequences for you as employee.

Filing a tax declaration in case of tax residence in Switzerland

Employees taxed at source with a gross income of more than CHF 120,000 per year are required to file an ordinary tax declaration as so far.

Option for Filing a tax declaration in case of tax residence in Switzerland

From 2021 onwards also Swiss resident employees with gross income below CHF 120,000 per year (who previously could claim their deductions with a tax rate adjustment) have the option to file a tax return. Once you opt for filing a tax declaration, the filing obligation remains for the subsequent years. The option expires if the application for filing has not been submitted by 31st March of the year following the tax year. Any applications submitted cannot be withdrawn and thus the opt-in has to be well considered.

Contrary to the present tax rate adjustment, where you always got a refund (only deductions will be used for the recalculation of the tax at source rate), the new option can either give you a refund or make an additional payment necessary depending on your personal situation as all taxable elements are reflected by the declaration.

So the new option of filing an ordinary tax return requires a further review whether you would benefit from filing a declaration by getting a refund, not only in the current year as also in the following years.

Option for filing a tax declaration for quasi-residents

A quasi-resident in Switzerland is defined as person who generates a large part of the worldwide gross family income (at least 90%) in Switzerland, but keeping the main tax residence/family home abroad. Up to date, these persons were allowed to claim their deductions by filing a simplified application for a tax rate adjustment.

As of January 1st, 2021, they will now have the possibility to opt for filing an ordinary tax declaration. The opt-in must be applied by 31st March of the following year and cannot be withdrawn thereafter. The tax authorities will review whether the quasi-

residence requirements are fulfilled during the assessment process of the tax return. In addition a tax representative has to be nominated in Switzerland.

Irrespective of the 90% rule, persons who are not taxable under the tax laws of their country of residence, due to low total family income, their marital status and personal situation are not considered abroad, can be therefore considered similar to a person resident in Switzerland and request the option of filing an ordinary tax declaration in Switzerland.

Contrary to the Swiss tax residents, choosing the option of filing an ordinary tax declaration will not be applied as well on subsequent tax years. The decision of filing a declaration needs to be made every year within the given deadline. The non-resident alien has also to appoint a tax representative in Switzerland.

Restricted possibility of deductions for non-residents

Non-residents in Switzerland are individuals who work in Switzerland however maintain their main tax residence/family residence abroad and generate less than 90% of their worldwide gross family income in Switzerland respectively cannot be compared to a person resident in Switzerland as explained above. These individuals still do not have the possibility to claim any deductions or opt in for an ordinary tax declaration in Switzerland.

Basel-City a special case

Adjustment of the tax at source for a double earner couple with international weekly commuter status:

The double-earner tax rate of the tax at source includes a pre-fixed income (CHF 5'425 per month) for the partner. As this might not be accurate, the rate determining consideration of the effective income of the spouse abroad can be requested.

Conclusion

Due to these changes specified above we recommend, to make a calculation as careful as possible, which points out whether a individual would profit from the filing of a complete tax declaration or not, before sending the request to the authorities.

For this purpose, a tax return with the essential details should be simulated, since with this new regulation, the entire personal situation is taken into account (also the wealth tax and various municipal taxes need to be considered) and not just the existing deductions for a recalculation of the withholding tax, as up to date.

Only after this comprehensive clarification, an application for inclusion into the ordinary tax declaration process might be submitted to benefit from additional advantages.

The artax team is looking forward to assist you and will be happy to answer any questions you may have. For the tax year 2020 everything remains as before.

Best regards

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Decision Overview for employees resident in Switzerland and taxed at source

