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Seemingly harmless changes of the tax at source procedure? Up to 60% more taxes!

Dear Sir or Madam,

„This regulatory amendment has technical character and does not anticipate the comprehensive revision of the taxation at source. This requires standardization of the tax at source rates regarding description and application both for federal and for cantonal level. This should enable the electronic wage reporting procedure (ELM).“

What has been announced as harmless harmonization and basis for a more efficient processing of payroll data, has dramatic tax implications for foreign employees whose families stay abroad (so called international commuters or quasi-resident) from 1 January 2014 onwards, especially in the northwestern part of Switzerland. With the new consideration of the foreign income for the tax at source there is a change for this population from Married / Single Earner to Married / Double Earner status for the tax rate.

Thus a part of the reform is tacitly carried out, even though it explicitly should not take place now, but at a later stage and should serve the conformity of tax legislation with international obligations of Switzerland, in particular to guarantee the free movement agreement with the EU.

In the following calculation we show the massive tax implications for international commuters coming into effect as of 1.1.2014 in Basel-Stadt:

Gross annual salary	Current tax	New tax	Increase
100'000	10'670	17'045	60%
150'000	22'350	31'763	42%
200'000	37'360	47'820	28%

We believe that this change, carried out under the disguise of a technical adjustment but leading de-facto to a dramatic tax increase for this specific group of people, is absolutely scandalous, as international commuters have no possibility to submit a subsequent ordinary tax declaration and therefore to be taxed on their actual worldwide tax factors and their correct allocation to different countries.

Of course, the harmonization and most adjustments are to be seen as positive. But we see more and more deviation from the original idea of tax at source as a simplification. The affected human resource managers will be able to tell you a thing or two about this.

With this newsletter we want to ensure transparency so that policy makers can properly exercise their oversight role on the administration and question the development critically.

To prevent further uncontrolled and senseless developments here, we would very much welcome to bring back the tax at source to its original purpose as a simplification and security tax withholding for situations with a strong international dimension. This could be easily achieved if the relevant tax laws would be supplemented with one single provision:

"The tax at source is a simplification. Every taxpayer has, upon request, the right to file a regular tax return and be taxed according to the ordinary procedure".

We hope that lawmakers take up this idea and so contribute to keeping the northwestern part of Switzerland an attractive international research and industrial location.

Conclusion: Every harmonization adapts to the higher level of duties.

Kind regards

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