

## An Explanation of The Different Rules For Individuals to Move to Switzerland and The Relevant Bases of Taxation

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By **Christine Breitler**, 23rd November 2021

### **Background**

Many foreigners move to Switzerland for its high quality of life, outdoor lifestyle, excellent working conditions and business opportunities.

A central location within Europe with a high standard of living, as well as connections to over 200 international locations via regular international flights, also make Switzerland an attractive location.

Many of the world's largest multi-nationals and international organisations have their headquarters in Switzerland.

Switzerland is not part of the EU but one of 26 countries making up the 'Schengen' area. Together with Iceland, Liechtenstein and Norway, Switzerland forms the European Free Trade Association (EFTA).

### **Residence**

Foreign nationals are allowed to stay in Switzerland as tourists, without registration, for **up to three months**.

After three months, anyone planning to stay in Switzerland must obtain a work and/or residence permit, and formally register with the Swiss authorities.

When applying for Swiss work and/or residence permits, different regulations apply to EU and EFTA nationals, compared to other nationals.

### **EU/EFTA Nationals**

#### *EU/EFTA – Working*

EU/EFTA nationals enjoy priority access to the labour market.

Should an EU/EFTA citizen want to live and work in Switzerland, they can freely enter the country but will require a work permit.

The individual will need to find a job and the employer must register the employment, before the individual can actually start to work.

The procedure is made easier if the new resident forms a Swiss company and is employed by it.

#### *EU/EFTA – Not Working*

The process is relatively straightforward for EU/EFTA nationals wanting to live, but not work, in Switzerland.

They must fulfil the following criteria:

- Have sufficient financial resources to live in Switzerland and to ensure that they will not become dependent on Swiss welfare.
  
- Take out Swiss health and accident insurance.

### **Non-EU/EFTA Nationals**

#### *Non-EU/EFTA – Working*

Third country nationals are allowed to enter the Swiss labour market if they are appropriately qualified, for example managers, specialists and those with higher educational qualifications.

The employer needs to apply to the Swiss authorities for a work visa, while the employee applies for an entry visa from their home country. The work visa will allow the individual to live and work in Switzerland.

Again, this procedure is made easier if the new resident forms a Swiss company and is employed by it.

#### *Non-EU/EFTA – Not Working*

Non-EU/EFTA nationals, without gainful employment are divided into two categories:

1. Older than 55;
  - Must apply for a Swiss residence permit through a Swiss consulate/embassy from their current country of residence.
  - Provide proof of adequate financial resources to support their life in Switzerland.
  - Take out Swiss health and accident insurance.
  - Demonstrate a close connection to Switzerland (for example: frequent trips, family members living in the country, past residency or ownership of real estate in Switzerland).
  - Abstain from gainful employment activity in Switzerland and abroad.
- Under 55;
  - A residence permit will be approved on the basis of “predominant cantonal interest”. This generally equates to paying tax on deemed (or

actual) annual income, of between CHF 400,000 and CHF 1,000,000. The precise amount of deemed annual income depends on a number of factors, including the specific canton in which the individual lives.

## **Taxation**

### **Standard Taxation**

Each canton sets its own tax rates and generally imposes the following taxes; income, net wealth, real estate, inheritance and gift tax. The specific tax rate varies by canton and is between 21% and 46%.

In Switzerland, the transfer of assets, on death, to a spouse, children and/or grandchildren is exempt from gift and inheritance tax, in most cantons.

Capital gains are generally tax free, except in the case of real estate. The sale of company shares is one of the assets, that is exempt from capital gains tax.

### **Lump Sum Taxation**

Lump sum taxation is a special tax status, available to resident non-Swiss nationals, without gainful employment in Switzerland.

The taxpayer's lifestyle expenses are used as a tax base **instead of** their global income and wealth. This means that it is not necessary to report effective global earnings and assets.

Once the tax base has been determined and agreed with the tax authorities, it will be subject to the standard tax rate relevant in that particular canton.

It is possible for an individual to have gainful employment outside Switzerland and to take advantage of Swiss lump-sum taxation. Activities relating to the administration of private assets in Switzerland can also be undertaken.

### **Additional Information**

If you would like additional information regarding moving to Switzerland, please contact [Christine Breitler](mailto:advice.switzerland@dixcart.com) at the Dixcart office in Switzerland: [advice.switzerland@dixcart.com](mailto:advice.switzerland@dixcart.com)