

## Swiss Annual Returns Explained

The Swiss social security system is unique and relatively complex. The assistance of an expert such as Dixcart is recommended...

By **Christine Breitler**, 23rd February 2023

### **The Popularity of Switzerland**

Switzerland's tax system is among the world's most attractive for both corporations and individuals. Offering one of the lowest tax rates in Europe, Switzerland is popular with leading international companies and their internationally qualified employees.

The Swiss tax system is decentralized, most taxes are administered by the cantonal tax administrations which are responsible for collecting federal, cantonal and any local tax. There are 26 cantons in Switzerland and the cantonal tax administrations are audited by the Federal administration.

### **The Rule and the Purpose**

Each year individuals and companies based in Switzerland, must complete and file a tax return with the relevant authority.

The Swiss tax system is based on taxpayers' declarations with subsequent assessments being issued by the tax authorities based on the tax returns filed.

The tax return is used to assess the level of tax on income and wealth/capital of the taxpayer.

### **Who is Required to File a Tax Return in Switzerland ?**

Swiss companies must file annual tax returns and financial statements (balance sheets, profit and loss accounts), with the tax office of the canton that the company is registered in.

### **Swiss Tax Return as a Company**

The tax system for corporate income and capital taxes is based on taxpayers' declarations, with subsequent assessments being issued by the tax authorities based on the tax returns filed.

Companies are initially assessed on a provisional basis, with final assessments being issued after the tax base was either the subject of a tax audit or declared final by the authorities.

### **Deadline**

The tax return must be filed annually. An exemption exists in the first year of business when an extended business year can apply.

The filing deadlines vary from canton to canton but are usually between six and nine months, after the close of the business year.

### **Taxable Period**

The tax year is the business year. Thus, the basis for corporate taxation is the applicable accounting period, which may end at any date within a calendar year.

### **Payment of Tax**

Unless instalment payments are specifically requested, Swiss taxes are payable on receipt of a demand, based on a provisional or final assessment.

About one month before the due date, a provisional tax bill based on the latest tax return filed, or the assessment of the preceding period, is sent to the taxpayer.

Payment is usually made in three to ten instalments. If the entire amount is paid up front, a discount may be granted.

## ○ Individuals

Any individual who is over the age of 18 and has permanent or temporary residence or owns a property in Switzerland, is required to file a Swiss tax return, including anyone who is in education or training even if he/she receives little or no income.

Foreign nationals with a resident permit (Permit C), need to declare their income and assets by submitting the same tax return as Swiss citizens. Other foreign nationals are subject to wage tax withholdings on a monthly basis. The wage tax covers federal, cantonal, and municipal taxes.

If a non-resident individual owns property in Switzerland, they have to file a special tax return in the canton where the property is located.

### **Swiss Tax Return as an Individual**

A single, income and assets tax return has to be completed and filed. One tax return is enough to enable the cantonal tax administration to assess the three different levels or types of tax to be paid.

### **Deadline**

Tax returns for individuals have to be filed by 31 March of the following year, in the canton where the taxpayer was resident at the end of the respective tax period. Filing extensions are usually granted until September/November upon request.

### **Taxable Period**

The official financial year in Switzerland begins in January and ends in December.

### **Tax Audit Process**

Every tax return filed is reviewed and assessed by the tax authorities. In the course of this process, the tax authorities may ask for additional information and statements. A formal tax assessment is then issued, and if no legal action is taken, the tax assessment comes into legal force and final tax bills are issued.

## **Payment of Tax**

Two to six months after the filing of the tax application, the taxpayer receives the tax bill including federal, cantonal and municipal taxes.

Cantonal and municipal taxes are usually collected on a provisional basis throughout the respective tax year. Cantonal rules differ but all include federal tax.

Taxes are paid to one single cantonal administration.

Final tax payments or tax refunds are due once the tax return has been finally assessed by the relevant tax authority.

## **Additional Information**

The Dixcart Office in Switzerland can provide a detailed understanding of the Swiss System of Taxation and the obligations that need to be met.

Should you need further information or wish to discuss how to make your tax return, please do get in touch: [advice.switzerland@dixcart.com](mailto:advice.switzerland@dixcart.com).