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The tax domicile of a globetrotter

Dear Sir or Madam,

With this short newsletter we would like to take a closer look at the tax migration of a globetrotter.

Demographic development in Europe and the Old World shows an over-ageing of the society. Whilst Italy once had the highest birth rate in Europe, it is now at the foot of this table. Simultaneously, people among the older generation are the ones with the most assets. Consequently, life is being enjoyed to the full, and there is an exceedingly high willingness to spend money on high-quality goods and services. There is also an increase in wanderlust as the ever-increasing popularity of pleasure cruises shows. This may quickly lead to a decision to undertake a major voyage lasting several years, and to turn one's back on Switzerland. At the same time, one would like to profit from deregistering, thus not having to pay taxes during this period. No sooner said than done!

However, after about two or three years and a wonderful voyage, there is the return to Switzerland, including registration. There is also a willingness to resume paying taxes. One could not be more wrong! In practice, Swiss tax authorities demand, once somebody moves abroad, proof of a newly established foreign domicile. Should there be lack of proof, one becomes subject to taxation from the day of the supposed move until the supposed return. This can lead to considerable tax claims.

Thereto the Federal Supreme Court:

BGE 138 II 300

Summary of jurisdiction re transfer of domicile to abroad by a natural person: the originally established domicile remains valid until acquisition of a new domicile.

As long as the "globetrotter" does not produce significant evidence – in terms of residence – to a specific location in a foreign country, there will be the assumption of the continuation of Swiss tax domicile.

So, if you fancy packing your suitcases, do it properly. Clear proof of a new domicile abroad is required. artax is a member of Morison KSi, with a worldwide network and can thus establish the necessary connections.

Kind regards

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