artax
NEWSLETTER

29.01.2019 **Dr. iur. Bernhard Madrid**

Tax and Fiduciary expert
Licensed Audit Expert RAB
Licensed Insurance Intermediary FINMA

The ten biggest advantages of the Swiss levy system

Dear Ladies and Gentlemen,

In light of my artax-Newsletter "The ten most serious disadvantages of the Swiss levy system", it seems only right to redress the balance with the 10 biggest advantages.

1. Low VAT
Swiss VAT at the standard rate of 7.7% is very low compared to foreign countries and the EU with rates over 20%. VAT is one of the indirect taxes. As a consumption tax, it is lecied at the same for everyone and is calculated without individual assessment. For a worker who earns the median wage of CHF 6’502 per month, a tax of 7.7% on the consumption of goods and services is thus much higher than for a higher earner with a much higher wage. Due to the low VAT rates and the high tax rates for direct taxes on income and assets, there is a high degree of tax fairness. By comparison, the high EU-VAT’s are a consumer burden, which puts a much greater strain on lower incomes than is the case in Switzerland.

Higher indirect taxes exist for energy; for gasoline, about 50% of the litre price is public charges. The electricity bill in the canton of Basel-Stadt is charged with levies of 50%.

2. High progression
We have a very highly stepped progression in income and wealth taxes. Many taxpayers with low incomes pay little or no income tax, while high earners are burdened with tax rates of up to 50% (read more here). What is a disadvantage for high-tax earners is an advantage for the social tax system. About 20% of taxpayers pay 80% of the total tax base. This gives us an extremely equitable tax system in Switzerland. Compared to other countries, the Swiss tax system is one of the most socially balanced in the world.

3. Comprehensive control system
Taxes on income, wealth, profits, capital, securities, insurance, profit distributions, real estate profits, real estate, donations, inheritances, beliefs (but not all religions), motor vehicles, dogs, alcohol, beer, wine, tobacco, energy, gasoline, mineral oil, Change of ownership of real estate, firefighting charges, military duty, customs duties, lottery winnings, tourist tax, playing cards etc.

Nothing is exempted in the tax system and it is comprehensive. There are no means to create income or surplus value which are exempt from taxation.

The rumours that President Trump and other large earners in the USA could create added value with tax rates of 10 - 15%, while normal workers pay 30-40% there too, are unimaginable in Switzerland. High earners pay up to 50% tax and there are no gaps.

4. Tax rulings
The tax administrations are open to tax rulings and the taxpayer can "steer" the tax consequences with the tax administration in complex or complicated future issues. This leads to considerable legal certainty. As a tax consultant with 30 years of professional experience, the author considers this option one of the most valuable tax advantages of the Swiss tax system. Few other countries offer this possibility. The US also offers tax rulings, but only starting at USD 50,000. In Switzerland tax rulings are (still) free! Other countries do not allow tax rulings at all.

5. Occupational benefits
Occupational pensions can be deducted from income and assets in occupational pensions do not constitute taxable assets. Payments from occupational pension plans are taxable and they enjoy a reduced tax rate, they are received as capital payments.

In international comparisons of wealth per capita, Switzerland ranks highly on a regular basis. This is due to the considerable assets accumulated in the “second pillar”.

The tax incentives for saving are very positive and lead to a high proportion of the population being able to pay for their retirement from their own accumulated assets.

6. Tax audits
Tax revisions or tax audits are within the frame for Switzerland. While other countries maintain intensive to permanent tax audits, the Swiss authorities are reluctant. The self-responsibility of taxpayers is highly valued, and Swiss taxpayers are to a large extent ordinary taxpayers. This basic attitude with authorities and taxpayers ensures a consensual tax climate.

7. Deadlines
The tax administrations accommodate and grant appropriate deadlines, which may extend until the end of the calendar year. Other countries are far more rigorous, which leads to significant problems.
In France, up to 80% of annual work are done by French tax advisers in the first half of the year, because the authorities are strict about meeting deadlines. Late submission will be punished with draconian surcharges. That's certainly not sensible.

8. Tax payments
As long as exact tax liability has not been established, there is a generous handling of tax payments in Switzerland. Payment plans, payment terms, instalment payments and much more are granted on the premise of a reasonable payment of tax liabilities, as far as possible and to whatever extent they may be justified.

Whilst in other countries the current provisional tax liability can threaten the very existence of the company, in Switzerland taxpayers are given adequate freedom to fulfill their tax obligations.

9. Expenses and professional expenses

In this area too, the tax administration casts a fair eye. With expense regulations and effectively proven professional expenses, the tax administration enables the reduction of taxable income. As long as expenses and income are in reasonable proportion, a hand is proffered towards a consensual tax assessment. But overstatements are sanctioned.

10. Restructuring

The tax administrations are extremely accommodating in terms of restructuring. Upstream or downstream merger, absorptions, fusions or splits; the tax administration is open for changes, as far as operationally necessary, as far as documented, and as far as possible within the tax framework. Especially here, it is advisable to obtain tax rulings before restructuring. In this way, restructuring can be planned and tackled with the maximum tax security.

Concluding remarks

We have both tax benefits and tax disadvantages, but overall the Swiss tax system is attractive. The taxpayer is not much worse or better off in countries other than Switzerland. Due to the high tax progression, Switzerland is a significant tax hurdle for high earners - Switzerland is inadvisedly regarded by foreign countries as a tax haven. For the entire population, the Swiss tax system is highly socially equitable, with 20% of taxpayers paying 80% of the tax revenue, a quota that very few countries in the world could hope to achieve.

Kind regards

artax Fide Consult AG

Member of Morison International

Gartenstrasse 95, Postfach, 4002 Basel

Tel: +41 61 225 66 66, Fax: +41 61 225 66 67

info@artax.ch, www.artax.ch