

New Tax at Source legislation from 2021

What employers should consider from a mobility perspective



In regard to equal treatment of taxpayers and under the aspect of the freedom of movement regulations with the EU, the revised federal tax at source law with a new federal circular will enter into force as of 1 January 2021. We've put together the key points to consider.

Who is impacted?

All employees **taxed at source** on their employment income in Switzerland may be impacted by the new source tax rules.

What are the key points?

Quasi-resident status

Quasi-resident is a "new" tax status for **non-resident individuals** who will have the **possibility** to file a Swiss tax return provided at least 90% of their worldwide income (including foreign-generated remuneration) is generated in Switzerland.

The quasi-resident status application shall be submitted each year by 31 March of the subsequent tax year. Upon acceptance of the status by the cantonal tax authorities, a Swiss taxpayer ID number is generated and a tax return is sent for completion/filing. Non-resident taxpayers are required to nominate a Swiss-domiciled representative who will be the point of contact for all communications coming from the tax authorities.

Why apply for a quasi-resident status? This procedure is mainly used to claim deductions such as pillar 2 voluntary contributions, pillar 3A contributions, professional expenses, etc. (all deductions which impact the taxable employment income).

Filing a Swiss tax return means full disclosure of all worldwide income and assets.

Mandatory Swiss tax return

All **Swiss tax residents**, irrespective of citizenship, and work/residency permit, whose annual gross employment income exceeds CHF 120,000 are required to complete an annual Swiss tax return from the year the threshold is hit.

The same obligation applies when a **Swiss tax resident** has income and/or wealth elements which are not subject to Swiss taxation at source (e.g. self-employment income/capital, alimony/child support, annuities, invalidity pension, financial investment/income, real estate income).

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Swiss tax return (optional Swiss taxpayer registration)

Upon request by 31 March of the subsequent tax year, a **Swiss tax resident** (B and L permit holder) whose annual gross employment income does not exceed CHF 120,000 per year, can elect to be considered as a standard Swiss taxpayer and file Swiss tax returns in order to claim deductions which are not considered in the source tax tariff.

Filing a Swiss tax return means full disclosure of all worldwide income and assets.

From registration as a standard Swiss taxpayer onwards, an individual is obliged to file a complete Swiss tax return annually. In this context it is important to note that if one fiscal year offers an opportunity to reduce tax liability and

benefit from a tax refund, the opposite may be true in subsequent fiscal years.

Source tax adjustment

New tax at source adjustment is possible to avoid possible double taxation with your country of residency when:

- The taxable income was incorrectly considered in the Swiss payroll (i.e. exclusion of non-Swiss working days)
- The income for the tax rate was incorrectly considered in the Swiss payroll (i.e. payroll split, worldwide payroll)
- The incorrect tax at source tariff was applied in the Swiss payroll (i.e. family situation)

The deadline is 31 March of the subsequent tax year.

No additional deductions (i.e. pillar 2 voluntary contributions, 3rd pillar A contributions or professional expenses, etc.) can be claimed.

How does this information benefit to my organization?

Please feel free to share:

- During recruitment of individuals who are/will be subject to tax at source
- During onboarding of newly hired employees from abroad
- When providing company/corporate information to newly hired employees
- During information sessions for existing employees

KPMG can provide tailored information and materials that you can integrate in your own documentation.

How KPMG can help

Review your internal policies and regulations

Assist your teams and employees in understanding the new rules

Analyze the financial impact of the new rules

Represent and assist your employees when dealing with the Swiss tax authorities

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