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Switzerland – Changes to Social Insurance Rates for 2016

by KPMG AG, Zurich (KPMG AG in Switzerland is a KPMG International member firm)

In this GMS *Flash Alert* we report on recent social insurance developments in Switzerland, including an increase to the income cap for accident and unemployment insurance and a decrease in the contribution rate for income compensation insurance.

Why This Matters

The modifications to Swiss law affecting the rates and income basis for social insurance mean that companies with international assignees subject to Swiss social insurance may see changes in their international assignment-related (and their employment-related) costs change – the fiscal impact will depend on each person's particular situation.

Cost projections and budgeting for assignments to Switzerland, and for assignees outside Switzerland still subject to Swiss social insurance, should reflect these changes. Where appropriate, adjustments by payroll administrators to withholdings will also have to be made.

Increase of Income Threshold for Accident and Unemployment Insurance

The income cap for the mandatory accident insurance contribution is determined in a way that covers the total employment income of approximately 95 percent of all insured persons. The cap, or threshold, of CHF 126,000 had been valid since 1 January 2008. Income above this cap is not subject to the contribution. However, the Swiss federal council deemed an increase of the threshold necessary due to wage developments in Switzerland since 2008.¹ As such, the income cap is being increased from CHF 126,000 to CHF 148,200, effective from 1 January 2016.

Unemployment and disability insurances reflect the same thresholds as accident insurance. Consequently, unemployment insurance will apply the same income cap from 1 January 2016, CHF 148,200. It should be noted that the solidarity contribution for unemployment insurance II will be levied on income exceeding CHF 148,200, going forward.

The following contribution rates remain unchanged but are now calculated on income up to CHF 148,200 as from 1 January 2016, as shown in the table on the following page.

	Rate		Insurable Income
	Contribution rate	Employer / employee portion	
Accident insurance	Rate dependent on factors such as employer, contract, industry, etc		On income up to CHF 148,200
Unemployment insurance I	2.2%	1.1%	On income up to CHF 148,200
Unemployment insurance II	1%	0.5%	On income over CHF 148,200

Reduction of Contribution Rate for Income Compensation Insurance

The contribution rate for income compensation insurance (EO – Erwerbsersatzordnung) was increased to 0.5 percent in January 2011 (for related coverage, see [Flash International Executive Alert 2010-174](#), 29 October 2010). However, as the reserves in the fund for income compensation insurance meet the minimum legal requirements, the Swiss federal council decided to reduce the contribution rate from 0.5 percent to 0.45 percent as of 1 January 2016.² The new contribution rate is valid for five years and will be reviewed again in 2020. The employee and employer each pay half of this contribution and the total insurance premiums of mandatory occupational insurance (1st Pillar) will change as follows as from 1 January 2016 (compared to the current rates):

Insurances covered by the 1 st Pillar	Up until 31 December 2015		As of 1 January 2016	
	Contribution rate	Employer / employee portion	Contribution rate	Employer / employee portion
Old age and survivors insurance	8.4%	4.2%	8.4%	4.2%
Disability insurance	1.4%	0.7%	1.4%	0.7%
Income compensation insurance	0.5%	0.25%	0.45%	0.225%
Total contribution	10.3%	5.15%	10.25%	5.125%

Footnotes:

1 See: <https://www.news.admin.ch/message/index.html?lang=de&msg-id=55178> .

2 See: <http://www.bsv.admin.ch/themen/eo/aktuell/01344/index.html?lang=de&msg-id=58532> .

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