



GMS Flash Alert

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Switzerland - Increase in Social Security Contributions from 1 January 2020

A new law in Switzerland will make corporate and individual tax adjustments and supplements Old age and survivors' insurance (OASI) financing through an additional 0.3 percent in social security (OASI) contributions. The contribution rate for employers and employees will be increased by 0.15 percent each (CHF 1.50 per CHF 1,000 income).

On 19 May 2019, Federal Act on Tax Reform and AHV Financing ("TRAF") was accepted in a public vote in Switzerland.¹ The TRAF will come into force on 1 January 2020.

WHY THIS MATTERS

Social security-related costs for international employees coming to work in Switzerland who are subject to Swiss social security contributions, as well as for Swiss employees who work abroad but remain subject to Swiss social security contributions, will rise because of the changes introduced by the TRAF. Similarly, the social security-related costs borne by their employers will go up.

Adjustments will need to be made to withholding on employees' pay and remittances to the social security authorities.

Context

TRAF aligns with a reduction in corporate tax rates at the cantonal level (depending on cantonal tax law adjustments). The aim of this reduction, and the TRAF generally, was to create an internationally compliant, competitive tax system for companies in line with OECD standards. With the TRAF, certain distinctions that come with Switzerland's cantonal and federal level preferential tax and profit allocation regimes have been abolished and new standards in line with OECD have been introduced.

The TRAF generates urgently-needed additional finances for the OASI. The TRAF will help ensure that the OASI receives an additional financing of CHF 2 billion per year beginning in 2020. The Swiss federal government will contribute about CHF 800 million of the additional funds. The remaining CHF 1.2 billion will be funded by employer and employees equally through the increased social security rates.

Table: New Rates

The new employer and employee contribution rates are as follows²:

	Employer contribution 2019	Employer contribution 2020	Employee contribution 2019	Employee contribution 2020	Total contribution 2019	Total contribution 2020
OASI (AHV)	4.20%	4.35%	4.20%	4.35%	8.40%	8.70%
IV	0.70%	0.70%	0.70%	0.70%	1.40%	1.40%
LEC (EO)	0.225%	0.225%	0.225%	0.225%	0.45%	0.45%
Total (OASI/IV/LEC)	5.125%	5.275%	5.125%	5.275%	10.25%	10.55%

FOOTNOTES:

1 See the announcement of the TRAF (in English) by clicking here.

2 See the new Swiss social insurance contributions and benefits in the overview published (in English) by the KPMG International member firm in Switzerland by clicking here.

For further information in Swiss-German, see "Steuerreform und AHV-Finanzierung (STAF)" with links to other relevant documents and texts.

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CHF 1 = EUR 0.91
 CHF 1 = USD 1.00
 CHF 1 = GBP 0.779
 CHF 1 = CAD 1.33

Contact us

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