Living and Working in Switzerland
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome to Switzerland</td>
<td>1</td>
</tr>
<tr>
<td>Country background</td>
<td>2</td>
</tr>
<tr>
<td>Swiss cantons</td>
<td>3</td>
</tr>
<tr>
<td>Entry requirements</td>
<td>4</td>
</tr>
<tr>
<td>Living in Switzerland</td>
<td>7</td>
</tr>
<tr>
<td>Labour Law</td>
<td>14</td>
</tr>
<tr>
<td>Social Security and Pensions</td>
<td>15</td>
</tr>
<tr>
<td>Income and Wealth Taxation</td>
<td>17</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>27</td>
</tr>
<tr>
<td>Tax Treaties</td>
<td>29</td>
</tr>
<tr>
<td>About Deloitte</td>
<td>30</td>
</tr>
<tr>
<td>Your Deloitte Offices</td>
<td>32</td>
</tr>
</tbody>
</table>
Welcome to Switzerland

On behalf of Deloitte, we would like to warmly welcome you to Switzerland.

We are pleased to present our 2013 edition of the Living and Working in Switzerland brochure, which had been prepared to provide you with an overview of some of the important issues that may affect foreign nationals moving to Switzerland.

This publication aims to give information of a practical nature, as well as factual information concerning taxes and other employment-related matters in Switzerland. It is not intended to provide in-depth answers to specific questions and it should be treated as a general outline only. Due to the complexity of, and frequent changes to, Swiss and international tax law, specific advice should be sought regarding your own personal circumstances.

We hope this booklet provides you with useful information and guidance about living and working in Switzerland. We would be delighted to assist you in navigating through the challenges of your relocation or to respond to any questions raised.

Campbell Oswald
Swiss Practice Leader
Global Employer Services
Country background

A stable political system
The country is divided into 26 states, which are known as cantons. They originally united to form the Confederation with the adoption of the Constitution of 1848 – the only exception is the canton of Jura which separated from the canton of Berne in 1979. Berne is the capital city of the Swiss Confederation.

A multicultural population
Today the total population in Switzerland is about 7.8 million, most of whom live in the major cities – Zurich, Basel, Geneva and Berne. In comparison with other European countries, the proportion of foreigners is particularly high in Switzerland representing around 22% of the resident population. The vast majority of foreign residents come from Europe – Italy (16.3%), Germany (14.9%) and Portugal (12.0%). However the proportion of residents who come from other continents is slightly increasing.

A robust economy
Switzerland’s economy is fairly robust in terms of gross domestic product (GDP). If we consider GDP per capita, it is among the richest countries in the world. The main sources of Switzerland’s GDP include services (71%), industry such as machinery manufacture, pharmaceuticals production and watchmaking (27%) and agriculture (2%).

Safety and quality of life
Switzerland is known for its high standard of living, attracting many professionals and their families from around the globe – Zurich and Geneva are regularly ranked as being amongst the best cities in the world in which to live.

1 & 2 Swiss Federal Statistical Office, 2012
Located at the heart of Europe, Switzerland is the second oldest federal state in the world after the United States of America. The Confederation is divided into 26 cantons. For historical and geographical reasons they differ widely in size and character. Their high degree of autonomy has always been respected and still remains strong.
Entry requirements

All non-Swiss nationals wishing to come to Switzerland for the purpose of employment must have a valid passport (and a visa, if necessary, issued by the Swiss Embassy or Consulate at the home location).

Your Swiss employer needs to have applied for and received agreement to the issuance of a work and residence permit before your arrival in the country. This document has to be requested from the immigration authorities either of the canton in which the employer is situated or of the canton where the employer is based. Different procedures apply depending on the country of origin of the applicant. It is also necessary for any accompanying spouse and children to have similar documents which confirm the right to reside in Switzerland.

Permit Types

The Federal Department of Foreign Affairs (through the relevant cantonal department) is responsible for examining and deciding whether applications for work permits made by companies employing foreign workers are admissible on socio-economic grounds. Decisions on applications are based in part on the number of permits allocated to the cantons by the federal government and the economic importance of the requests, taking into account the situation in the labour market and on the employment conditions being offered to the workers.

Conditions and procedures are different for nationals of the European Community member States and European Free Trade Association (EFTA) member States, and for those of the other countries (“third countries”).

<table>
<thead>
<tr>
<th>Permit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>B Permit</td>
<td>The B permit is the most common permit type for expatriates in Switzerland. It is a long-term work permit based on the economic interests of the company and the employee’s qualifications. It is, in principle, granted to employees who are part of an inter-company transfer for a long period, important internal projects, or who possess skills not available in the local market.</td>
</tr>
<tr>
<td>C Permit</td>
<td>The C permit is a renewable long-term residence permit that is granted only after an assignee has spent an extended period of time in Switzerland under a B permit. The C permit grants the permit holder most of the rights of a Swiss citizen, similar to a Green Card for a US resident, including the right to live in any canton in Switzerland.</td>
</tr>
<tr>
<td>G Permit</td>
<td>The G permit is generally granted to workers who reside in neighbouring countries (France, Germany, Liechtenstein, Austria, and Italy) and work in Switzerland.</td>
</tr>
<tr>
<td>L Permit</td>
<td>The L permit is applicable to short-term assignments to Switzerland. It is designed for trainees, foreigners managing projects, or employees seconded for a short period of time. It is also used as a temporary measure when B permits quotas for the year have been exhausted.</td>
</tr>
</tbody>
</table>
Definitions
For Swiss immigration purposes, the following definitions apply:

European Union (or EU) - individuals who are citizens of the following countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Poland, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

EU-15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom + Cyprus + Malta.

EU-8 includes Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

EU-2 includes Bulgaria and Romania.

European Free Trade Area (or EFTA) - individuals who are citizens of the following countries: Iceland, Liechtenstein, and Norway.

Third Countries - Rest of the world which does not benefit from the bilateral agreement which entered into force as of 1 June 2002.

Free Movement of Persons
The bilateral agreement on the free movement of persons between Switzerland and the EU facilitates entry, residence and employment in Switzerland for EU citizens as well as citizens of Norway, Iceland (EFTA Members) and, conditionally, Liechtenstein.

As a result EU/EFTA workers now have similar rights to Swiss citizens for living and working in Switzerland but must still obtain the appropriate work permit. However, limitations on priority of the local labour market apply to the citizens of the EU-8 at least until 30 April 2013, and of EU-2, until 31 May 2016 at the latest. The Federal Council decided on 18 April 2012 to invoke the safeguard clause provided for in the agreement between Switzerland and the EU on the free movement of persons, applying it to the EU-8 Member States. From 1 May 2012, category B residence permits granted to citizens of these countries will be subject to quotas. This measure will remain in force for a year and applies to persons who come to live in Switzerland to become self-employed and to persons who possess an employment contract in Switzerland that is valid for a year or more. Before 30 April 2013 the Federal Council is to make a new assessment and to decide whether or not to extend the imposition of quotas up until 31 May 2014. Past this date, unrestricted freedom of movement will apply to all citizens of the EU-15/EU-8/EFTA and Cyprus and Malta.

On the next page is a summary of the different permit types, the validity of each permit, and the requirements for issuing the permit, divided between European Union and EFTA countries’ citizens, and citizens of other countries.
<table>
<thead>
<tr>
<th>Types of Permit</th>
<th>European Union and EFTA</th>
<th>Third Countries</th>
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<tbody>
<tr>
<td><strong>B Permit</strong></td>
<td></td>
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</tbody>
</table>
| a) With gainful employment for a duration equal to or exceeding one year or for an undetermined duration |  - No quota for EU-15 + Cyprus + Malta  
  - Fixed quotas for EU-8' + EU-2'  
  - Valid for 5 years  
  - Occupational and geographical mobility  
  - Family regrouping |  - Fixed quotas  
  - Valid for one year  
  - Renewable every 2 years after the first year  
  - C permit after 5 or 10 years  
  - Family regrouping  
  - Occupational and geographical mobility |
| b) Without gainful activity |  - Sufficient financial means  
  - Suitable housing  
  - Swiss healthcare insurance (or approved equivalent) |  - Pensioner (+55 years old) / Lump sum taxation  
  - Sufficient financial means  
  - Links with Switzerland  
  - Suitable housing  
  - Swiss healthcare insurance (or approved equivalent) |
| **C Permit**   |                         |                 |
|  |  - After 5 years of uninterrupted stay for EU-15  
  - After 10 years of uninterrupted stay for EU-8 + EU-2 + Cyprus + Malta |  - After 5 years of uninterrupted stay for the USA, Canada, the Principalities of Andorra, Monaco, San Marino, and the State of Vatican  
  - After 10 years of uninterrupted stay for other countries |
| **L Permit**   |                         |                 |
| a) 4 consecutive months |  - No quota  
  - Renewable  
  - Occupational and geographical mobility |  - No quota  
  - Non renewable  
  - Geographical mobility |
| b) 120 non consecutive days during a year |  - Family regrouping  
  - Possibility to provide services and stay in Switzerland for 3 months without permit for EU-15 + Cyprus + Malta + EU-8 (registration through internet) |  - No quota  
  - Renewable  
  - Geographical mobility |
| c) From 4 to 12 months |  - 364 days maximum  
  - Fixed quotas for EU-8' + EU-2'  
  - No quota for EU-15 + Cyprus + Malta + EU-8  
  - Renewable  
  - Occupational and geographical mobility  
  - Family regrouping |  - 364 days maximum  
  - Fixed quotas  
  - Renewable once  
  - Geographical mobility |
| **G Permit**   |                         |                 |
| EU-15 + Cyprus + Malta + EU-8:  
  - No quota  
  - Valid for 5 years  
  - Weekly return  
  - Renewable |  - No quota  
  - Valid for 1 year  
  - Permanent right of residence  
  - Resident 6 months in the border zone before undertaking employment  
  - Work in a border canton  
  - Weekly return  
  - Renewable |

1 priority of the local labour market
Living in Switzerland

Currency and Foreign Exchange
The currency is the Swiss Franc which is divided into 100 cents (Rappen/centimes/centesimi). Swiss coins are available in 5, 10, 20, and 50 cents, as well as 1, 2, and 5 franc amounts. Bank notes are printed in denominations of 10, 20, 50, 100, 200, and 1,000 francs. The official abbreviation of the Swiss Franc is CHF, although it is common to see SFr. and Fr. used as well. There are no currency or exchange control restrictions in Switzerland.

Banking
Switzerland is a country with an efficient and established banking system. Current account services are available through the major banks, through the Post Office Bank, through Cantonal Banks, and through private banks. For more information about setting up a Swiss bank account, refer to the websites of any of the major banks in Switzerland, including:

www.credit-suisse.com
www.ubs.com
www.postfinance.ch.

All invoices in Switzerland are required to be issued on a standard payment form (Einzahlung/versement/versamento), regardless of who issues the invoice. Payment can then be made in cash at the post office (assuming you bring the payment slip), at your bank, at your bank’s automated bank machine, or via your bank’s online banking system.

Taking an international assignment is a significant decision for you and your family. There are many decisions that must be considered, from cost-effective tax planning to selecting the right school for your children. This publication gives practical guidance on some of the issues you will address on your move to Switzerland.
**Housing**

The Swiss housing market is difficult in certain locations given the limited supply of housing. Prices for the purchase and rental of property remain relatively high, especially in urban areas.

**Renting Property**

It is possible to arrange for housing on your own through resources available to the public. You are most likely to find listings in the local or regional newspapers, although you should act quickly as properties are usually rented in a short amount of time. Some information can be obtained from various websites, but, unless you are using a subscription service, information may be limited as properties are not always advertised on the internet due to the short vacant period between renters.

You can also use the services of a real estate or relocation agent to help review your housing alternatives. The biggest benefit of using an agent is the fact that agents often have access to properties before they are listed on the open market. The agent can also assist in prioritising your rental application above other applications, although the final decision is always made by the landlord (there is no requirement for the landlord to accept the first application for a rental property).

When determining the overall cost of the rental property, you should consider whether any charges are included in the monthly rent, such as utilities, cable television, etc. Please note that it is standard for landlords to request a deposit of three months rent.

**Related links:**

- www.homegate.ch
- www.immostreet.ch

**Purchasing Property**

The purchase of property can take time and will also affect your tax situation (see our separate section on the tax issues related to real estate). You should seek the advice of a qualified real estate professional when purchasing a property in Switzerland, as they can explain the various fees that will be due upon purchase, including transfer taxes, notary fees, and land register fees (you should budget approximately 6% – 7% of the purchase price for these fees).

The Bilateral Agreement on the Free Movement of Persons provides that, effective 1 June 2002, an EU/EFTA national holding a residence permit and resident in Switzerland enjoys the same rights as Swiss citizens with regard to the purchase of real estate. In addition, C permit holders, regardless of nationality, have the same rights as Swiss citizens to purchase real estate.

Those individuals can acquire real estate in Switzerland such as a principal residence or a second home, a holiday home, land to build on, or an investment in a property.

EU nationals who are not resident in Switzerland may acquire real estate if necessary for gainful activity. In addition, the acquisition of a second residence or of holiday accommodation requires the granting of authorisation from the government.

Cross-border workers may acquire real estate necessary for their gainful activity or a secondary residence in the region in which they work without restriction. They can however acquire only one property. However, if the property is holiday accommodation, it is essential for them to ask for prior authorisation.

Individuals are required to pay at least 20% of the purchase price of a personal-use primary property as a down payment (i.e. the maximum amount of the mortgage is 80%). Generally, two mortgages are set up and the main one does not require amortisation of capital. Individuals can also use their pension capital to finance the purchase of real estate in Switzerland, but only for a principal residence.

Purchasing property in Switzerland may have significant impact upon your tax position. You should always consult your tax adviser prior to purchase.
Utilities
Individuals are often required to organise their utilities by arranging the services with the relevant company. In some cases, e.g. apartments in the city centre, the arrangement of utilities can happen relatively quickly. However, it can take more time in an older home or for residents in rural locations, depending on the amount of work involved.

The telephone system in Switzerland is managed by Swisscom (www.swisscom.com), who will require a deposit of CHF 500 to turn on your private phone line and set you up as a customer in their system. This deposit will be returned to you, with interest, after 12 months, or upon departure from Switzerland, whichever comes first. Swisscom can also assist with establishing internet access at your home, although DSL service may not be available in all rural areas.

The public utility system (i.e. electricity, water) is usually managed by the cantons and the process will vary from canton to canton, as well as from city to city. As with Swisscom, you should expect to pay a deposit to have your services turned on and to register your account. Please note that some utility companies will invoice you based on estimated usage (usually from the tenant before you) and will then adjust for your actual usage once a year or upon the closing of your account.

Education
The Swiss education system is the responsibility of the cantons, so the process may vary from canton to canton. Public schools are funded by the cantons through tax revenue, so there are no additional fees for schooling at public schools.

Children living in Switzerland are required to attend an educational institution, either private or public, from age 6 or 7. The public school system in Switzerland is divided into the following sections:

- Nursery school (Kindergarten): for ages 3-6, usually two years before entering primary school. This school is not mandatory.
- Primary school: for ages 6 to 15. Primary school encompasses grades one through nine.
- Secondary school: for ages 15 to 19. Secondary school is designed to prepare the child for the post-secondary schooling.
- Post-secondary school: for ages 19 and up. Post-secondary school can be a college or university, a specialty school, or a professional/vocational school, depending on the career plans of the student.

The public education system in Switzerland has a reputation for high quality and tough standards. Upon arrival in Switzerland, individuals wishing to register their children in public schools are required to contact the cantonal education department and will be required to provide them with a copy of a work/residence permit and proof of health and accident insurance for the child.

Foreign children from ages 12 to 15 who wish to be registered in public schools will be required to pass a proficiency examination set by the cantonal education department. The same requirement exists for the universities, who often also request proof of language proficiency before admitting the student.

Parents also have the option of enrolling their children in private schools, which include American, British, French, German, and Japanese. The cost can vary greatly from school to school. In addition, the school may have a waiting list of up to several years. Information about these schools can be obtained from the internet, from the Swiss National Tourism office, or from your country’s Swiss embassy.
Office and Retail Hours
Most offices are open from 08:00 until 17:00, Monday through Friday, although banks and government buildings may close earlier. Shops are usually open from 09:00 until 18:30, Monday through Friday, and on Saturday from 09:00 until 17:00 (with shops in the city staying open later). In certain cities, shops will stay open until 21:00 on one day of the week. Shops are closed on Sunday, with the exception of shops in airports, train stations, or some tourist areas.

Driving in Switzerland
Switzerland has an extensive network of roads ranging from multi-lane highways to small country roads. The major roads are always well-maintained and Swiss drivers are extremely courteous on the roadways, making driving in Switzerland relatively simple. Driving is on the right side.

Driver’s Licence
Individuals are required to have a valid driver’s licence to drive in Switzerland. Foreigners who are living in Switzerland are allowed to drive for up to one year on their home country driving licence or an international driving licence, assuming they meet the minimum legal driving age of 18 years old (21 for large trucks). To obtain a Swiss driver’s licence, an individual will have to apply at the local motor vehicle division with the following items:

• completed application to exchange their foreign licence for a Swiss licence;
• the original foreign driver’s licence for exchange or for the authorities to stamp as "invalid in Switzerland";
• a certificate from a Swiss certified optician that you have passed the eye examination, which costs about CHF 25 (the motor vehicle department can provide you with the list of certified opticians in your area);
• one colour passport-sized picture;
• a copy of your Swiss permit (bring the actual permit with you when applying for the licence).

In most cases, home country or international driving licences can be converted to a Swiss licence within the first year in Switzerland without taking an examination or practical driving test. Individuals from certain countries may be required to pass a practical driving test, but not the written exam.

Please note that failure to convert your licence to a Swiss licence within one year from your arrival will result in your having to take both the written and practical exams to obtain your Swiss licence.

Buying or Importing a Car
An individual must have a residence permit (or at least the permit number) before they can purchase a car in Switzerland. Purchasing a car from a dealer is the simplest approach, as the dealer will usually take care of all registration items on your behalf. However, it is possible to purchase from a private individual, with many listings being available on the internet.

Cars are required to pass a strict mechanical evaluation by the motor vehicle department on a periodic basis (usually every 2-5 years, depending on the age of the car). Any mechanical problems that are discovered must be corrected, and the vehicle re-examined by the motor vehicle department, within a short period of time. When purchasing a car in Switzerland, the buyer should question when the car last underwent this mechanical evaluation.

After you purchase and before you can drive a car in Switzerland, you will need to obtain a licence plate and a "circulation permit", as well as take out insurance through a private insurer. Proof of insurance and the grey "circulation permit" are the first things the police will ask for if you are ever stopped.
A car can be imported into Switzerland, provided you have the following documents:

• proof of car insurance by an insurance company registered in Switzerland;
• an expert report with the official customs stamp and/or additional customs authorisation;
• the date the vehicle was first registered from the original registration card;
• technical data of the vehicle, such as engine size, weight, and maximum speed; and
• an antipollution maintenance card established in Switzerland after the proper tests have been completed.

There is an exemption under Swiss law that allows an individual to import their personal car without taxes or duties as part of their move to Switzerland, provided that they have owned the vehicle for six months prior to the move to Switzerland and they continue to own the vehicle 12 months after arrival in Switzerland.

Otherwise, you will be required to pay Swiss VAT (8%) and car tax (4%) on the car’s value. Custom duties may also be charged, depending on the country of construction (not the country where the car was purchased) and the weight of the car. It may be possible to reclaim VAT paid in the country of purchase in certain circumstances.

In addition, the car will have to undergo a technical evaluation (as discussed above) and may require additional updates to be compatible with the Swiss system, such as ensuring the speedometer shows kilometers.

**Car Insurance**

Insuring a car in Switzerland is both mandatory and costly (relative to other countries). There are three types of insurance in Switzerland: (1) civil responsibility, (2) comprehensive coverage, and (3) accident insurance.

All cars are required to have civil responsibility cover as a minimum; this covers injury and damage inflicted on a third party. The comprehensive coverage – which covers collision, theft, vandalism, etc. to your car – and accident insurance for passengers are both optional.

**Practical Tips**

If you need to travel on the motorway, you will need to purchase an annual (calendar year) highway sticker which is available at the border crossings and most petrol stations for about CHF 40 (increasing to CHF 100 from 1 January 2014). The speed limit on the highway is 120km/h unless posted otherwise, whereas the speed limit in town is generally 50km/h.

Drivers should pay attention for photo radars, both in the cities and on the motorways. Drivers caught exceeding the limit will receive a traffic ticket.

All passengers are required to wear their seatbelts and children under age 12 are not allowed to ride in the front seat. Drivers generally travel in the right lane unless passing another car. If a car behind you flashes their lights or puts on their turn signal, it is a sign that they would like to pass you. Swiss drivers will not honk the horn unless it is an emergency or you have made a serious traffic error (they consider the use of the car horn for other purposes to be rude).
Television and Radio
Television signal systems vary from country to country, even within Europe, so your television may not receive a signal in Switzerland.

You can receive a few basic channels with an aerial only, but you will need a satellite or cable hook-up to access anything more than this basic service. It is possible to receive US and UK television broadcasts either via self-set up or through the local satellite dealers, although you will pay a supplement for this service.

If you own a television, computer or radio in Switzerland (including a car radio), you will have to pay a television and/or radio license fee that is collected through a company called Billag.

All individuals who own a functioning radio or television are required to register with Billag upon arrival in Switzerland.

Postal Services
The post office hours in Switzerland vary depending on the size and location of the post office. Locations in the city centre or near airports/train stations may open later.

There are two postal categories: Tariff A Priority (for next day delivery in Switzerland) and Tariff B Standard (for delivery within two to four days in Switzerland).

Public holidays
Some holidays are specific to individual cantons. However, there are some national public holidays, listed below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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<tbody>
<tr>
<td>January 1</td>
<td>New Year’s Day</td>
</tr>
<tr>
<td>April (variable)</td>
<td>Good Friday</td>
</tr>
<tr>
<td>April (variable)</td>
<td>Easter Monday</td>
</tr>
<tr>
<td>May (variable)</td>
<td>Ascension Day</td>
</tr>
<tr>
<td>May (variable)</td>
<td>Pentecost</td>
</tr>
<tr>
<td>August 1</td>
<td>Swiss National Day</td>
</tr>
<tr>
<td>December 25</td>
<td>Christmas Day</td>
</tr>
<tr>
<td>December 26</td>
<td>Day After Christmas</td>
</tr>
</tbody>
</table>

If one of these days falls on a weekend, it is not usual for the following weekday to be given off “in lieu”.
Language

Even though Switzerland is a small country, its people speak no less than four different languages: German, French, Italian, and Rhaeto-Romanic. Everything from the list of the ingredients on the package of groceries to official government documents has to be printed in three different languages (German, French and Italian).

The German speaking Swiss speak a different form of German than the Germans or the Austrians, called "Swiss-German" or "Schweizerdeutsch". To make it more complicated, each canton has its own dialect and there is no written Swiss-German at all. Fortunately, the Germans, Austrians, and Swiss-Germans use the same written German language, which is close to the so-called “high German,” the standard for the German languages.

The French and Italian speaking Swiss also have a unique version of their language that differs from their neighbours, but the difference is mainly in vocabulary and is not as dramatic as in the case of Swiss-German.

The other official language is Rhaeto-Romanic, a very old language (considered so because new words are not introduced, but instead taken from German) that is spoken within a limited region of Switzerland. Even though there are only a few villages where they still speak this language, there are nonetheless five different dialects.

![Language in Switzerland](source: Federal Statistical Office)
Labour Law

Notice Period
Employment contracts in Switzerland are subject to a trial period, which may vary depending on the employment contract. Once the trial period has passed, the employment contract may be cancelled if proper notice is given as follows:

• Up to one year of service: one month’s notice (at the end of a month).
• As of the second year of service and up to the completion of the ninth year of service: two month’s notice (at the end of a month).
• As of the tenth year of service and later: three month’s notice (at the end of the month).

Please note that your company policy might stipulate a different notice period, but it may not be less than one month.

Termination of the employment contract should be communicated via registered mail by either party. A letter notifying the intention to end the contract must reach the employer or the employee by the last working day of the month for the notice to be effective for that month.

The notice period begins after the receipt of this letter and the salary continues to be paid during the notice period according to the employment contract. The final salary payment should include a prorated 13th monthly salary (if a 13th month salary payment is part of the employment contract) and any residual vacation balance should be taken during the notice period or paid in full.

On a related note, the employment contract will automatically terminate on the last working day of the month that the employee reaches retirement age, unless a separate agreement is made between the employer and employee.
Restrictions for Employment Termination

Employment cannot be terminated by the employer under any of the following circumstances:

• During pregnancy and during the first 16 weeks after birth.

• During military and other officially required services, or 4 weeks before or after such services if they exceed 11 days.

• During absences due to sickness or accident, but only within:
  – 30 days if during the first year of employment;
  – 90 days from the 2nd to 5th year of employment; and
  – 180 days from the 6th year of employment.

For instance, the employer cannot terminate the employment contract of the employee during the first 30 days of sickness leave during the first year of employment. However, the employment contract can be terminated after the 30-day period has passed, even if the employee is still ill.

Social Security

Swiss social security contributions are mandatory for residents of Switzerland, unless covered by a valid exemption through continued membership in the home country’s system. In this case a Certificate of Coverage must be obtained from the authorities in the home country through the home country employer.

The Swiss social security system is based on a three pillar system as follows:

• Pillar I: The first pillar consists of old-age and survivor’s insurance, as well as invalidity insurance and a pension intended to cover the employee’s basic living costs upon retirement. Pillar I contributions are obligatory for both salaried employees and self-employed individuals.

• Pillar II: The second pillar includes the same benefits as Pillar I and, together with Pillar I, should produce at least 60% of the beneficiary’s last income and allow pensioners to maintain the standard of living to which they are accustomed. Pillar II contributions are obligatory for salaried workers only.

• Pillar III: The third pillar represents an additional savings plan for individuals to meet their further retirement needs and is optional for all individuals, although it offers tax benefits that may not be available with other forms of savings.

The social security contribution rates for 2013 are summarized on the next page.

Swiss social security contributions are tax deductible and, in certain circumstances, contributions to foreign social security schemes may also be deductible.
Health Insurance

In addition, anyone arriving in Switzerland with the intention of staying must take out Swiss health insurance within three months, which should cover them from the arrival date. Health insurance is mandatory for all Swiss residents and is organised privately, although some employers may choose to subsidise a collective private plan. The Swiss government will ask for documentation annually to prove that all members of your family have appropriate health insurance. Social health insurance gives everyone living in Switzerland access to adequate health care in the event of sickness, and accident if they are not covered by accident insurance. Health insurance in Switzerland generally covers the cost of outpatient treatment, doctors (general practitioners), hospitals, pharmacy, etc. Broadly speaking, you are responsible for 100% of your health care expenses up to a certain amount (the amount varies and determines the price of your health insurance, with the lowest deductible plans being the most expensive), plus 10% (in general) of any costs above this amount. The insured may choose any health insurer, and the insurer must accept the insured irrespective of age and state of health, and without any reservations or qualifying period.

Health Maintenance Organizations, or HMOs, are a relatively new concept in Switzerland and may not provide the same discounted costs on health care as they provide in other countries.

Pensions

As with Swiss social security, membership of a pension fund is mandatory for all Swiss employees below "pensionable age" (currently 64 years old for women and 65 years old for men) and therefore every Swiss employer has established some kind of a pension scheme.

However, under a recognised certificate of coverage, the employee is exempted from mandatory Swiss pension fund contributions. If the employee remains affiliated to the home country pension scheme, the contributions might be fully tax deductible as long as the foreign pension plan broadly corresponds to a Swiss plan. A review of the foreign plan is therefore necessary to see if recognition in Switzerland can be obtained.

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Basis for Contribution</th>
<th>Mandatory Employee contribution</th>
<th>Mandatory Employer contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age and dependent survivor’s insurance</td>
<td>Gross income (no ceiling)</td>
<td>4.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Disability insurance</td>
<td>Gross income (no ceiling)</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Military ordinance and Maternity insurance</td>
<td>Gross income (no ceiling)</td>
<td>0.25%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Mandatory pension plan</td>
<td>Gross income up to CHF 83’520 minus 24,360 (maximum: CHF 59’160)</td>
<td>Approximately 7% to 18% (depending on age)</td>
<td>Approximately 7% to 18% (depending on age)</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>Up to CHF 126’000 CHF 126‘001 to CHF 315‘000</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Accident insurance</td>
<td>Up to CHF 126’000</td>
<td>Approximately 1%</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Family benefits</td>
<td>Gross income (no ceiling)</td>
<td>No</td>
<td>Depends on cantonal law (between 0.1% and 4.2%, 1.7% in Geneva)</td>
</tr>
<tr>
<td>Additional cantonal maternity insurance (only in the canton of Geneva)</td>
<td>Gross income (no ceiling)</td>
<td>0.042%</td>
<td>0.042%</td>
</tr>
<tr>
<td>Total contributions (without pension plan)</td>
<td></td>
<td>Approximately 7%</td>
<td>Approximately 8% to 10%</td>
</tr>
</tbody>
</table>
Income and Wealth Taxation

General rules
Switzerland’s complex income tax system is structured around the three layers of government: federal, cantonal (or state), and communal (or city). In most cantons, the majority of the tax burden comes from the cantonal taxes.

The federal direct tax law is applicable in all Swiss cantons so that individuals pay the same amount of federal taxes everywhere in Switzerland (the maximum effective federal income tax rate is 11.5%). However, the cantons and communes fix their tax rates autonomously depending on fiscal policy. As a result, the cantonal and communal taxes can vary significantly. The communal taxes are a multiplier or a percentage of the cantonal taxes and are levied in conjunction with the cantonal taxes.

The maximum income tax rate including federal, cantonal, and communal taxes is between approximately 20% and 46%, depending on the canton and commune. Tax is charged on the income earned during the year (i.e. a cash-basis system) and for both the years of arrival and departure.

Income taxes are levied on all types of income, whether earned (such as salary), or unearned (such as interest and dividends). In addition, capital gains tax is levied on the disposal of Swiss real estate or business property. Individuals’ capital gains on the disposal of moveable assets (i.e. stocks, bonds) are in general not taxed in Switzerland.

Instead, Switzerland imposes a wealth tax based on the net assets of each individual, after allowances for certain deductions.

Resident versus Non-resident
The taxation of income in Switzerland is dependent on the individual’s tax residence status. A foreign individual who is regarded as a tax resident in Switzerland will be treated as a “resident taxpayer”. A foreign individual who has kept their residence in a foreign country may be regarded as a “non-resident taxpayer”, depending on the specific circumstances.

Resident Taxpayers
In practice, a foreign individual will be regarded as tax resident in Switzerland, in any of the following circumstances:

a) From the date of registration, or from the date of arrival in Switzerland, as indicated upon registration with the immigration office. Registration is required shortly after you arrive in Switzerland, usually within eight days; or

b) Even if you are not registered, you are regarded as resident if the centre of your vital interests is in Switzerland. This means you are residing in Switzerland with the intention of staying here “permanently”. According to Swiss domestic legislation, the key factors are where you have a permanent home, where your family lives, and where your most important personal and economic contacts are; or

c) If you stay in Switzerland and are employed or self-employed in Switzerland for at least 30 consecutive days; or

d) You stay in Switzerland for at least 90 consecutive days without employment nor self-employment; or

e) From the date you receive a residence permit (e.g. B Permit).

Resident taxpayers are subject to income and net wealth taxes on a worldwide basis.
Non-Resident Taxpayers
If you do not meet one of the residence tests above, you may be regarded as non-resident in Switzerland for tax purposes if you meet any of the following conditions:

a) You are a cross-border worker (or a weekly commuter) employed in Switzerland but residing abroad.

b) You are a director of a Swiss company who receives director’s fees for services you render to this Swiss company.

Non-resident taxpayers are taxed only on income and net wealth attributable to Switzerland under Swiss domestic tax law and the provisions of any applicable double taxation treaty. Other worldwide income and wealth are typically excluded by exemption with progression.

Taxable Income
Taxable income is essentially the sum of worldwide income less allowable deductions. Foreign employees may continue to have certain kinds of foreign income (e.g., income from foreign property and business interests) that is not taxed in Switzerland under Swiss law and/or double taxation agreements. Although this income may not actually be taxed in Switzerland, the income should still be declared and taken into account to determine the applicable Swiss tax rate (to be applied to taxable Swiss income).

If you are resident in one country and working in another, your salary is in principle taxed in the country where you perform the work. Most double taxation agreements, however, have a clause stating that the salary is taxed only in the country of residence if certain exceptional conditions are met. This can be a complex area and specific advice should be sought to determine the exact tax treatment on a multi-jurisdictional basis.

Tax at Source versus the Tax Return System
Switzerland taxes individuals on their income and net wealth by two different methods: tax at source and under the tax return system. Tax at source is a pay-as-you-earn system under which your annual tax liability is met through withholding from your monthly payroll. Under the tax return system, your tax liabilities are met by submission of an annual tax declaration, following payment of estimated taxes.

In some cantons (e.g., Vaud, Zurich), an individual will be subject to tax at source on his Swiss salary and may also have to file a tax return to report additional income and/or to rectify the tax at source withholding.

Tax at Source
The tax is determined by tables based on the individual’s gross income and family status.

Standard deductions, such as current social security contributions, contributions to a professional pension plan, personal exemptions, etc. have already been incorporated into the rates in the tables.

Certain additional deductions may be allowable from income subject to tax at source, including the following:

a) All personal contributions made to an officially recognized Swiss individual retirement fund identified as “3rd pillar A” account. Salaried employees can open such an account with major Swiss banks or insurance companies. The maximum contribution is limited by law and currently amounts to CHF 6,739.

b) An additional deduction is available if you make an extraordinary contribution to your Swiss “2nd pillar” pension fund by “buying back” years of insurance. You should contact your Human Resources department to check whether this is possible for you. There are also a number of tax implications.
c) Maintenance paid to a separated or divorced spouse as well as child support for minors (under 18 years). The divorce decree and proof of payment must be provided. If the beneficiary is living abroad, particular attention should be paid to the clarity of the fund transfer description.

d) There may be other deductions possible, such as, in the canton of Geneva, for essential childcare costs for taxpayers who are single (e.g. bachelors, widowers/widows, divorced or separated persons) and live alone with their child(ren) younger than 13 of whom they have custody. The deduction is limited to CHF 4,000.

A claim in writing must be filed the following year and accompanied by proof of payment as well as by the Swiss tax withholding certificate your employer has issued. If the certificate is received any time before 28 February, you have until 31 March to claim. If, however, the certificate is received after 28 February, you have until 30 days after receipt to claim but no later than 31 December of that year.

Depending on the canton, it may also be possible for companies to apply for tax-free representation allowances for their executives under certain conditions.

Some cantons, such as Geneva, require newcomers taking up employment in Switzerland who are subject to the tax at source system to fill out a special form issued by the Swiss Tax Administration in order to determine the tax table applicable to your circumstances.

It is important to complete this form and to forward it as quickly as possible to the employer. It must generally be completed at the end of each year and also within one week of an event that will trigger a modification of the tax table, e.g. marriage, birth, separation, divorce, etc.

**Family status**

The Swiss law on the recognition of same-sex relationships came into force with effect from January 1, 2007. This grants the same rights and obligations to partners of the same sex as to married couples. It means in particular that registered partners will be taxed on their aggregate income and wealth and benefit in the same way as a married couple. A same-sex relationship officially registered abroad may be recognised, under certain conditions, by the registry office in Switzerland.

Certain categories of income should be reported independently to the Swiss Tax Administration if an individual is only subject to tax at source:

a) Any additional income (other than salary) must be declared to the authorities in writing at the beginning of each year following the realisation of the income, but no later than 31 December of the year following its realisation. The tax authorities will adjust your tax accordingly and assess you on the difference.

b) If your employer has not withheld tax at the right rate because, for example, your spouse also performs a gainful activity, you might be liable for additional taxes.

c) Foreign and Swiss held assets must be declared to the tax authorities as appropriate.

d) Reporting passive income will allow you to recover the 35% Swiss federal withholding tax levied on proceeds derived from Swiss securities, as well as certain foreign withholding taxes levied by countries with which Switzerland has a treaty for the avoidance of double taxation (see the “Federal Withholding Tax” section).
**Tax Return System**

From the date of your arrival in Switzerland, your taxes are automatically paid via the tax at source system unless you have a non Swiss employer. In that case, the tax authorities will put you on the tax return system.

You will also have to file a tax return if:

a) You own real estate in Switzerland.

b) Your annual gross income, or that of your spouse, exceeds CHF 120,000 (CHF 500,000 in Geneva).

c) You own more than a certain threshold of net assets (i.e. worldwide gross assets less liabilities) whose worth represents a taxable net wealth (see section entitled “Wealth Tax”). The determining threshold depends on your family status and varies by canton.

d) If you are a B permit holder married to a Swiss citizen or a C permit holder, a joint return will need to be filed.

e) You become a C permit holder or a Swiss citizen.

f) You are paid entirely via a foreign payroll.

If you meet one of the conditions above, a single tax return covering cantonal, communal, and federal taxes is generally to be filed by 31 March, but extensions can normally be obtained until 31 August or later, depending on the canton.

Married couples file a joint tax return; there is no option to file separately.

Swiss cantons generally collect cantonal and communal taxes through a system of monthly prepayments or estimated tax vouchers. These prepayments become due starting from March. Payment slips, as well as the payment amounts, are given to you by the Tax Authorities. An interest charge may be assessed in the case of underpayment of estimated taxes by the first due date of the return.

Federal taxes are assessed separately and are payable in one lump sum every year. A provisional federal direct tax bill is generally provided in March of the following year, with formal assessments and notifications of payments and repayments due being sent at a later date. Some cantons give taxpayers the option of monthly payments.

Tax bills giving details of the administration’s assessment of the return, as well as a statement of account for the balance of taxes due or of overpayment (and refund), are sent at a later date.

Please note that all correspondence or requests from the Tax Administration are time-critical. Therefore, it is essential that all documentation you receive is forwarded to your tax adviser immediately so that they can take any action that may be necessary.
Lump sum taxation
Non-Swiss individuals who have unlimited tax liability in Switzerland for the first time, or for the first time after being abroad for at least ten years, have the right, under both federal and cantonal law, to be taxed on the basis of expenditure, called “lump sum taxation”, rather than under the normal regime. As a precondition, however, the taxpayer must not be engaged in gainful activity in Switzerland, nor have been concerned in gainful activity in Switzerland, for example by commuting across the border, during the ten years before moving to Switzerland.

The lump sum taxation method is available only to taxpayers who have submitted a written application to the tax authorities of the canton in which they reside. The negotiation can take a few months and the agreement is based on personal circumstances with a range of criteria taken into account.

An individual’s taxable base is his or her (and his or her family’s) worldwide expenditure (living costs) rather than global income and net wealth, as for Swiss tax residents. The tax liability calculated under the lump sum taxation method is based, as a minimum, upon the annual expenses incurred by the taxpayer and his or her family. Annual living costs are taken as the basis for taxation, which may either be calculated according to actual expenditure or based on a multiple (e.g. five times) of the annual rent of the taxpayer’s accommodation.

The income tax calculated on the lump sum approach basis must not be lower than that which would be calculated on the individual’s total Swiss source income and wealth.

The total annual expenses are then subject to tax at ordinary tax rates. This is a personal liability and is generally paid by the individual concerned.

One very important consequence of lump sum taxation is that eligible individuals are not required to report worldwide income and net assets in Switzerland unless relief is applied for under a tax treaty to avoid double taxation.

Capital Gains
Individuals’ gains on the disposal of movable assets (i.e. stocks, bonds) are not subject to income tax. Instead, Switzerland imposes a wealth tax on an individual’s net wealth. Specific rules apply to those individuals who trade shares frequently and advice should be obtained as appropriate.

Salaried employees exercising certain types of activity in the field of finance (i.e. trader, broker, analyst, economist, etc.) could be considered as acting on a professional basis and could, therefore, be liable for capital gains on their operations.

Gains arising from the disposal of immovable assets (i.e. real estate) in Switzerland are subject to a separate capital gains tax.

The table on the next page gives an estimate of the tax burden under the tax return system in the main cities in Switzerland for different salary levels and family status (all amounts in CHF).

Wealth Tax
Switzerland imposes a tax on an individual’s net wealth, defined as worldwide assets less debts, including mortgages, loans, advances, and private borrowings. All cantons levy a tax on net wealth, although there is no such tax at the federal level.

As a taxpayer, you must declare your worldwide assets and liabilities. Foreign property is taken into account only to determine the Swiss tax rate, and debts are allocated according to the location of assets.

Standard deductions are also given depending on family status. The standard deduction varies depending on the canton of residence. For example, in the canton of Geneva, the first CHF 82,200 of wealth for single individuals, CHF 164,400 of wealth for a couple, and an additional amount of CHF 41,100 of wealth per dependent child is deductible.
Certain pension funds are not included in taxable assets from a wealth tax perspective. This should be discussed with your tax adviser, as these rules are quite complex and can vary considerably depending on circumstances.

The wealth tax rates are progressive and vary by canton and commune. The rates usually range up to a maximum of 1% of the net assets.

In Geneva, for example, the maximum wealth tax rate of 1% is payable on taxable wealth of approximately CHF 10,000,000 and above.

<table>
<thead>
<tr>
<th>Overview of level of taxation in different cantons</th>
</tr>
</thead>
<tbody>
<tr>
<td>The following table gives an estimate of the tax burden in the main cantons in Switzerland for 2012 for several salary levels applicable to a married couple with two children but no church affiliation (all amounts in CHF).</td>
</tr>
<tr>
<td>Minor rate differentiations apply, based on marital status and stated religion.</td>
</tr>
<tr>
<td>These amounts are calculated on the basis of gross income after standard minimum deductions, including social security deductions (Mandatory pension fund contribution deduction not included 4% – 8%).</td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th>Individual Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Zurich</strong> <em>(city of Zurich)</em></td>
</tr>
<tr>
<td>CHF 150’000</td>
</tr>
<tr>
<td>12.7k/8.5%</td>
</tr>
<tr>
<td><strong>Zug</strong> <em>(city of Zug)</em></td>
</tr>
<tr>
<td>CHF 250’000</td>
</tr>
<tr>
<td>39.5k/15.8%</td>
</tr>
<tr>
<td><strong>Schaffhausen</strong> <em>(city of Schaffhausen)</em></td>
</tr>
<tr>
<td>CHF 500’000</td>
</tr>
<tr>
<td>131.3k/26.3%</td>
</tr>
<tr>
<td><strong>Schwyz</strong> <em>(Freienbach)</em></td>
</tr>
<tr>
<td>CHF 1’000’000</td>
</tr>
<tr>
<td>327.8k/32.8%</td>
</tr>
<tr>
<td><strong>Vaud</strong> <em>(Lausanne)</em></td>
</tr>
<tr>
<td>CHF 1’000’000</td>
</tr>
<tr>
<td>327.8k/32.8%</td>
</tr>
<tr>
<td><strong>Geneva</strong> <em>(city of Geneva)</em></td>
</tr>
<tr>
<td>CHF 1’000’000</td>
</tr>
<tr>
<td>327.8k/32.8%</td>
</tr>
<tr>
<td><strong>Ticino</strong> <em>(city of Lugano)</em></td>
</tr>
<tr>
<td>CHF 1’000’000</td>
</tr>
<tr>
<td>327.8k/32.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Wealth Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHF 1’000’000</strong></td>
</tr>
<tr>
<td>1.9k/0.2%</td>
</tr>
<tr>
<td><strong>CHF 2’000’000</strong></td>
</tr>
<tr>
<td>5.9k/0.3%</td>
</tr>
<tr>
<td><strong>CHF 5’000’000</strong></td>
</tr>
<tr>
<td>23.9k/0.5%</td>
</tr>
<tr>
<td><strong>CHF 10’000’000</strong></td>
</tr>
<tr>
<td>56.7k/0.6%</td>
</tr>
</tbody>
</table>
Stock Options
Stock options granted to employees at a favourable price (or given without consideration) are considered a part of the income derived from their professional activity and are, therefore, taxed as income. The tax is based on the estimated value as determined according to recognised commercial practice.

Historically, each Swiss canton applied different tax rules to the income derived from employee compensation defined in equity plans.

New federal legislation seeks to harmonise the tax treatment of incentives such as stock options, shares, restricted stock units and stock appreciation rights across Switzerland. These rules also take into account, up to some extent, the OECD sourcing model (based on period from grant to vesting) for the apportionment of the income resulting from the exercise of stock options.

However the contents of this new law leave still some room for interpretation and employee shares and stock option plans will still need to be looked at on a case by case basis to assess the specific tax implications, as practical in each canton.

Cross-border workers
If you live in a neighbouring country and work in Switzerland, your tax filing requirements will vary based on your country of residence and canton of employment. In general, you will have to file a tax return in your country of residence, but your salary might be subject to tax either in your country of residence or in your canton of employment. Please contact your tax adviser for more information.

Real Estate
If you own a home, you must include a theoretical rental value as part of your taxable income for cantonal, communal, and federal tax purposes. In other words, ownership of property is deemed to generate income. The amount is calculated based on a formula that takes into account such factors as the size and age of the property, etc.

The same treatment is applied to real estate located outside Switzerland if it is not rented out. If the property is rented out, the actual rent is added to your taxable income. However, rental income of real estate located outside Switzerland is taken into consideration only for the tax rate.

Individuals can usually offset maintenance expenses and depreciation against the theoretical rental value of the property.

Private gains realised on the sale of real estate located in Switzerland are subject to a cantonal/communal capital gain tax. All cantons levy this tax at various levels; but there is no federal tax. The tax is based on the amount of gain and on the period of ownership. For example, if the property is located in the canton of Geneva, the rate varies from between 0% and 50%.

Income from Swiss real estate will be subject to normal taxation. Any losses arising from rental income can be set off against other income. In addition, interest paid on the related mortgage is tax deductible up to an amount which depends on the private income declared. Generally, double taxation can be avoided in the case of overseas property income.

Tax Rulings
It is possible for companies (and in very limited cases individuals) to obtain private rulings from the Tax Administration on the tax treatment of certain items of income. The common types of tax rulings include representation allowances, stock options, taxation of certain benefits in kind, and school fees.
Please note that your canton of residence may refuse to apply a tax ruling negotiated by the company in the canton where it is registered. This is the case, for example, for the Vaud tax administration with respect to Geneva rulings.

**Cantonal Differences**

The majority of total tax liability is accounted for by cantonal tax, so it is important to be aware of the specifics of each canton. We have outlined some of the key tax differences between a few major cantons, although the information below is not exhaustive and should be used for illustrative purposes only.

Many of these cantonal differences are currently under review, as the cantons pursue their efforts toward the harmonisation of tax laws and practices.

**Basel**

The canton of Basel-city encompasses the city itself and two additional communities (Bettingen and Riehen) that all have different communal tax rates. In Basel itself, the cantonal tax includes the communal tax. A “flat rate” tax system of 23.5% applies, with tax-free lump sum deductions available to single and married individuals.

Taxpayers residing in the canton of Basel-city, and subject to tax at source, have to file a tax return in the canton of Basel-city if their annual, or annualised, gross income exceeds CHF 120,000. The tax already withheld from their salary will be credited against their actual tax liability based on the return filed.

**Geneva**

Employers have the option of negotiating several special tax rulings with the Geneva Tax Administration in an effort to reduce their employees’ taxable income and hence the tax paid by the company (if they pay the tax for their employees).

Certain allowances, such as school fees, residency allowance, and representation allowance, are deductible from taxable income, or are tax exempt, provided that a ruling has been completed, submitted to, and approved by the Geneva Tax Administration.

In Geneva, the expatriate allowance for cantonal and communal taxes amounts to 10% of the gross salary of the employee. The maximum tax exemption is CHF 100,000, a limit significantly higher than the federal and tax at source limit of CHF 1,500 per month or CHF 18,000 annually.

Representation allowances are also available, and range from 5 to 10%, depending on the salary of the employee and assuming the employee performs representation duties for the company. The representation allowance can be paid only if the annual salary is at least CHF 150,000, and the maximum tax exemption is limited to CHF 100,000 which compares very favourably with other cantons.

In addition to representation and expatriate allowances, expatriates may benefit from several tax-free or tax-efficient payments, such as:

- **Home leave**: in general, home leave payments are tax-deductible up to a certain amount.
- **Moving expenses**: in general, moving expenses can be paid tax-free up to a certain amount, provided that the amounts are paid by the employer direct to the moving company, or are reimbursed to the employee based on an actual invoice issued by the moving company.
- **Car expenses**: the use of a company car is partially tax exempt (this exemption is also applicable to local employees).
- **School fees**: expatriates who send their children to private school will normally be exempt from tax on tuition fees paid directly by their employer, provided the employer enters into a formal “co-operation” agreement with the Geneva school whereby it agrees to be responsible for the fees, and the schooling is not in French.
Taxpayers residing in the canton of Geneva and subject to tax at source have to file a tax return in the canton of Geneva if their annual or annualised gross income exceeds CHF 500,000 (unlike the limit of CHF 120,000 in the other cantons) or if they meet one of the other tests to switch to the tax return system. The tax already withheld from their salary will be credited against their actual tax liability based on the return filed in the year of transfer to the tax return system.

If the employee meets one of the other tests which requires him or her to switch to the tax return system (such as having a taxable net wealth), the tax at source should cease and the individual should instead make tax payments through monthly instalments.

**Vaud**

Multinational companies may request special tax rulings covering expatriates transferred to the canton of Vaud. In addition, high-level employees may benefit from lump sum tax-free representation allowances of 6-8% of the employee’s gross income, or a lump sum deduction (usually between CHF 12,000 and 24,000), intended to cover certain business expenses paid by the employee. The amount of the maximum tax-free allowance depends on the position of the employee within the company and on the activities performed by the employee.

The Vaud Tax Administration is becoming increasingly strict about giving these rulings and they apply in particular to companies where their corporate office is located in Vaud or when the individual tax ruling follows a ruling made at the corporate level.

In principle, foreign employees in the canton of Vaud may deduct from cantonal/communal and federal taxation either a lump sum amount up to CHF 1,500 total per month (CHF 18,000 per year) or actual expenses (e.g. house moving expenses, home leave, housing costs to a certain extent) on the actual invoice from third party providers, subject to agreement from the Tax Administration.

Finally, expatriates (as defined by the Vaud Tax Administration) who send their children to private school will not normally be taxable on tuition fees paid directly to the school by their employer, if the schooling is provided in a foreign language (i.e. tuition payments to a French school would not qualify for this deduction if the courses are taught in French) and approval is received from the Tax Administration.

Taxpayers residing in the canton of Vaud and subject to tax at source have to file a tax return in the canton if their annual or annualised gross income exceeds CHF 120,000. The tax already withheld from their salary will be credited against their actual tax liability based on the return filed.

**Zurich**

The tax burden imposed by the canton of Zurich is about average compared to other Swiss cantons. As it is one of the biggest Swiss cantons, new tax practices and regulations often originate in Zurich. For example, changes regarding the taxation of employee stock options stem from Zurich tax court rulings but have affected tax practice and regulations in nearly all cantons.

The special deductions for expatriates (relating to moving costs, school fees and Swiss housing costs) originated in the canton of Zurich. However, their widespread application has led to very strict interpretation of the expatriate status by the Zurich tax authorities, making it difficult for certain employers/employees to benefit from these rules.

Taxpayers residing in the canton of Zurich and subject to tax at source have to file a tax return in the canton if their annual or annualized gross income exceeds CHF 120,000. The tax already withheld from their salary will be credited against their actual tax liability based on the return filed.

Even if the annual or annualised gross income does not exceed the CHF 120,000 limit, Zurich resident taxpayers subject to tax at source must file a tax return if their income and/or net wealth not subject to tax at source (e.g. interest or rental income) exceeds a certain threshold.
The tax at source already withheld is the final liability in this case; additional taxes are levied only on the additional income/net wealth. Such taxpayers must claim additional deductions from their employment income (i.e. 3rd pillar a contributions) through a different procedure.

With effect from 1 January, 2010, lump sum taxation has been abolished in the canton of Zurich.

**Ticino**
The tax burden for medium / high levels of income is average compared to other cantons, but is much less on lower levels of income.

The special deductions for expatriates (housing, schooling, and moving costs) are granted according to the Federal Expatriates Decree, but, the application of this Decree by the cantonal tax authorities is very precise and the definition of expatriate status is quite strict.

Taxpayers residing in the canton of Ticino and subject to tax at source have to file a tax return if their annual or annualised gross income exceeds CHF 120,000. The tax already withheld from the salary will be credited against the actual tax liability based on the return filed.

Foreign taxpayers resident in Switzerland who do not exercise a gainful activity in Switzerland, may make an agreement with the Ticino cantonal tax authorities to be subject to lump sum taxation. These taxpayers will pay taxes based on their relevant expenses as in other Swiss Cantons (which should be at least of CHF 180,000 per year), instead of paying the usual income and wealth tax.

Thanks to its particular geographical situation, the canton of Ticino has the advantage of being the access portal to the Southern European markets.

**Arrival Process**
On arriving in Switzerland, you will need to present your Proof of a Work Permit document (which shows that the authorities are planning to issue you with a work permit) with your passport at the appropriate immigration control at the airport or border.

You are then required to register yourself and your family within the next eight days with the relevant authority in the canton of intended residence. The relevant authority is the Residents’ Control Department (Contrôle de l’habitant / Einwohner-Kontrolle / Controllo Abitanti) in your city or commune (if you live in a rural area).

When you register, you and your family will need to take with you the following documents: your passports with any necessary visas; your and your family’s Proof of a Work Permit document as mentioned above; a copy of your marriage certificate; a copy of birth certificates for you and all members of your family; and 2 passport-sized photographs for each family member.

Within a few weeks, you should receive notification to collect your work permits from the office at which you registered, at which time you will also be advised of the validity (time limit) of the permits. Your company’s Human Resources department may perform some or all of these tasks on your behalf. You should get in touch with them prior to arrival to clarify your responsibilities. Sometime after arrival, you should register with your local consulate or embassy in case of emergencies, loss of passport, etc.

**Departure Process**
You are required to complete a formal departure process before leaving Switzerland, which includes filing a departure questionnaire, relinquishing your permit to the appropriate authorities, and then filing the departure tax return. Your departure tax return will be based on the income received to the date of your departure, as well as upon your net wealth at the date of departure. The tax that is due with this return should be paid prior to leaving Switzerland. Your company can however provide a guarantee to the Tax Authorities in which case you may file the departure return at a later date (but within the normal filing deadlines for that year).
Other Taxes

Federal Withholding Tax
Federal withholding tax is levied at 35% on investment income (such as dividends and interest over CHF 200 per annum) derived from deposits with Swiss banks, Swiss investment fund income, as well as on bonds and bond-like loans from Swiss debtors. This withholding tax is either fully reimbursed or fully credited against the Swiss tax liability, provided the investment and the income are properly declared in the tax declaration.

The aim of the federal withholding tax is to ensure that interest and dividends received by domestic taxpayers are properly declared as taxable income, and to charge non-resident recipients of interest and dividends with a final tax. However, foreign recipients of interest and dividends may be granted a full or partial refund if a double tax treaty exists between Switzerland and their country of residence.

European Union Savings Directive
The European Union Savings Directive is an agreement between EU countries to exchange information (effective as of July 1, 2005) on interest paid to individuals residing in another EU country.

The agreement between the EU and Switzerland stipulates that the interest payments made by a Swiss paying agent to beneficial owners who are individuals and residents of an EU member State are subject to EU source tax of 35% (from July 2011).

Interest payments made on debt-claims issued by Swiss debtors are excluded from the EU source tax, as they are already subject to Swiss withholding tax at 35%. Indeed, all interest payments subject to Swiss withholding tax will be excluded from EU source tax. In addition, and provided EU source tax is due, a beneficial owner can avoid the tax withholding by expressly authorising his Swiss paying agent to report the interest payments to the Swiss Federal Tax Administration.

Inheritance and Gift Taxes
There are no federal estate, inheritance or gift taxes, but certain cantons levy these taxes. In a few cases, inheritance, property, and gift taxes are also levied by the communes.

In almost all cantons, inheritances or gifts to descendants or spouses are exempt from tax and some cantons have even more beneficial regimes.

An individual becomes liable to Swiss inheritance or gift tax upon:

a) Inheriting property from a person whose last residence was Switzerland; or

b) Receiving a gift from a donor resident in Switzerland; or

c) Receiving property in Switzerland either as a gift or as an inheritance. Liability to taxation does not depend on the nationality of the deceased or of the donor, nor on the place of residence of the heir or donee. The tax rate is progressive and reflects the degree of kinship involved as well as the size of the inheritance or gift. The rates vary from 0% to over 50%.

Due to the complexity and changes in this area of taxation, we strongly recommend that you contact your tax adviser should these issues apply to you.
Church taxes
Certain recognised churches have authority to levy church tax on their members. This church tax will either be included in the cantonal/communal taxes as part of the tax declaration, or levied directly by the churches.

Individuals who are not members of such churches, and who do not wish to pay the church tax, should make note of this when completing their registration documents to ensure they are not subject to this additional tax burden.

Local taxes
The local or communal tax is levied with the cantonal tax liability. There are no additional local taxes, apart from a couple of exceptions, the most common being the imposition of property taxes by the local government based on the tax value of the real estate.

Value Added Tax (VAT)
Switzerland introduced a value added tax (VAT) in January 1995 that is similar to the tax charged by other European countries. The VAT rate for most purchases in Switzerland is 8%, although some items are taxed at a reduced rate. In addition, individuals in Switzerland on a diplomatic permit may pay a reduced amount of VAT or no VAT at all.

Stamp Tax
There is a stamp duty levied on security transactions in Switzerland by the broker involved in the transaction. This transfer tax of 0.3% for foreign securities and 0.15% for Swiss securities is levied by the broker as part of the transaction fees.
Income and Wealth
Switzerland has an extensive network of tax treaties designed to minimise any double tax exposure resulting from an international assignment. The tax treaties normally cover the double taxation of income, but some cover both income and wealth taxation.

The application of the tax treaties and the interpretation of the rules can be quite complex. As a result, we recommend you contact your tax adviser before making any decisions based upon applying the treaty rules.

Estate
Switzerland has also concluded tax treaties with certain countries regarding the double taxation of estates or inheritances. These treaties can help minimise any potential double taxation, but some, such as the US/ Swiss treaty, are very limited in their scope.

As with the income tax treaties, advice should be sought from your tax adviser before relying on international estate or inheritance treaties.

List of Income Tax Treaties
Albania, Algeria, Antigua, Argentina, Armenia, Australia, Austria, Azerbaidjan, Bahrein, Barbados, Belarus, Bangladesh, Belgium, Belize, Brazil, Bulgaria, Burundi, Canada, Chile, China, Chinese Taipei (Taiwan), Colombia, Croatia, Czech Republic, Denmark, Dominican Republic, Egypt, Equator, Estonia, Faroe Islands, Finland, France, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Kazakhstan, Kenya, Korea (South), Kuwait, Kyrgyzstan, Lebanon, Liechtenstein, Latvia, Lithuania, Luxembourg, Macedonia, Malawi, Malaysia, Malta, Mexico, Moldova, Mongolia, Montenegro, Montserrat, Morocco, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, Slovakia, Singapore, Slovenia, South Africa, South Korea, Spain, St. Christophe, Nevis & Anguilla, Sri Lanka, St. Lucia, St. Vincent, Sweden, Tadjikistan, Trinidad & Tobago, Thailand, Tunisia, Turkey, United Arab Emirates, U.K., U.S.A., Ukraine, Uruguay, Uzbekistan, Venezuela, Vietman, Virgin Islands, Zaire, Zambia.

Copies of the text of the tax treaties can be found on the Federal Tax Administration’s website:

www.estv.admin.ch
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