



Introduction to Swiss Tax and Social Security System

October 2024

Table of contents

| | | |
|-----------|------------------------------------|----|
| 01 | Overview Swiss Tax System | 03 |
| 02 | Tax resident vs. Non-resident | 06 |
| 03 | Swiss Source Tax | 12 |
| 04 | Ordinary Taxation | 15 |
| 05 | What is subject to Swiss Taxation? | 19 |
| 06 | Swiss social security | 29 |
| 07 | Various Questions | 38 |
| 08 | Attachments | 41 |

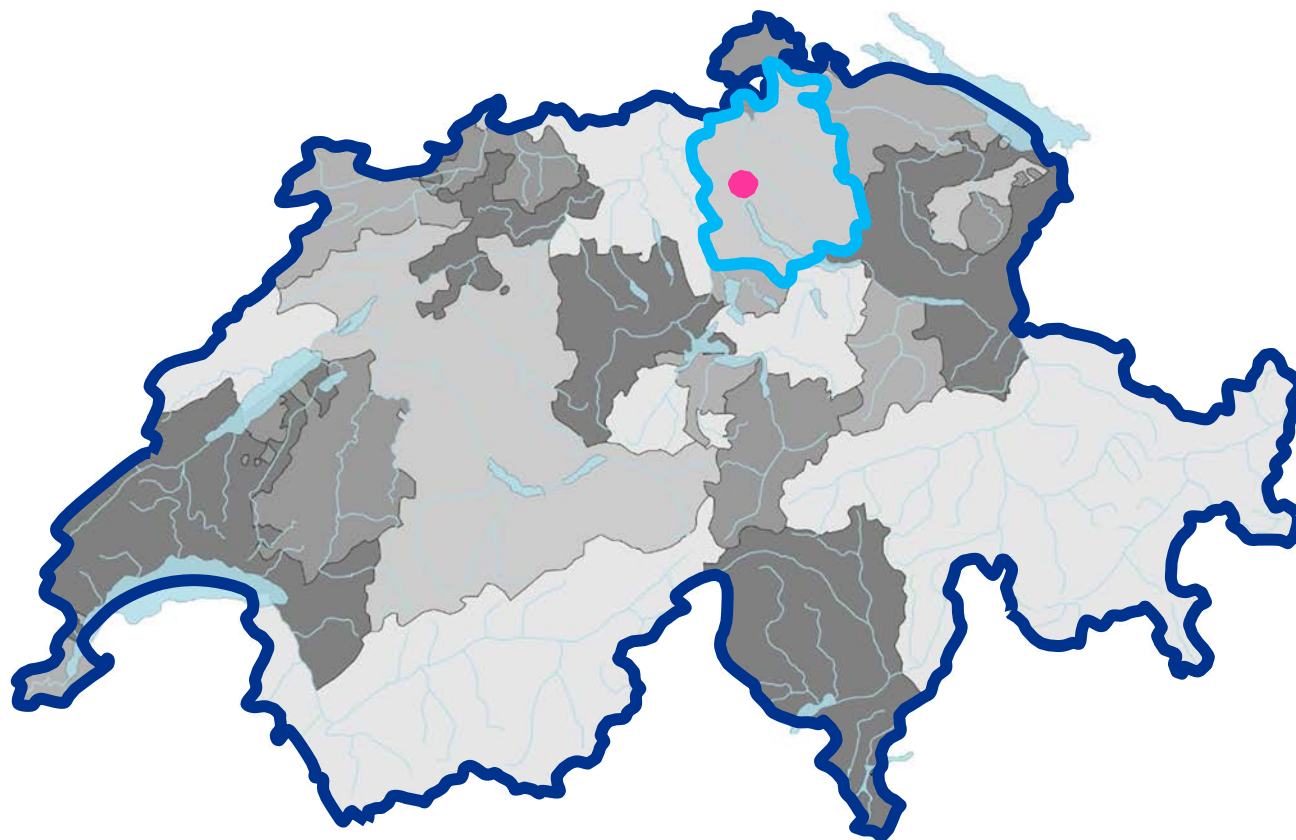
01

Swiss Tax System

General information

- The Swiss tax year runs from 1st January to 31st December. In case of departure or arrival cases tax period can also be arrival/registration date to 31st December or 1st January to departure/deregistration date with no tax liabilities in Switzerland before or after, depending on the situation. Part year income will be annualized to determine the applicable tax rate. The effective income earned during your non-residency period will not be considered.
- Tax filing deadline (if required) 31st March following the end of the tax year. Depending on the filing type deadline extensions might be possible.
- Assessment based system: Every tax filing is assessed by the authorities. The assessment process can take between 6 months and 5 years, depending on the respective canton.
- Late payment interest may apply on outstanding tax payments. Payment deadlines and interest rates vary from canton to canton or even from community to community.
- Joint tax filing obligation for married couples. No voluntary option to file separately and no voluntary option to file jointly, if not married.
- Minor children are included in their parents tax return.

Taxation Levels



3 levels of progressive taxation in Switzerland

- **Federal taxation** based on federal tax law
- **Cantonal taxes** in all 26 cantons at different tax rates based on cantonal tax laws
- **Communal taxes** in around 2'300 communities at different tax rates based on cantonal tax laws

Some cantons issue a joint tax bill for cantonal- and communal tax, while others issue separate bills for these two tax levels. Federal tax bills are always issued separately.

02

Tax resident vs. non-resident

Swiss tax residency / limited tax residency

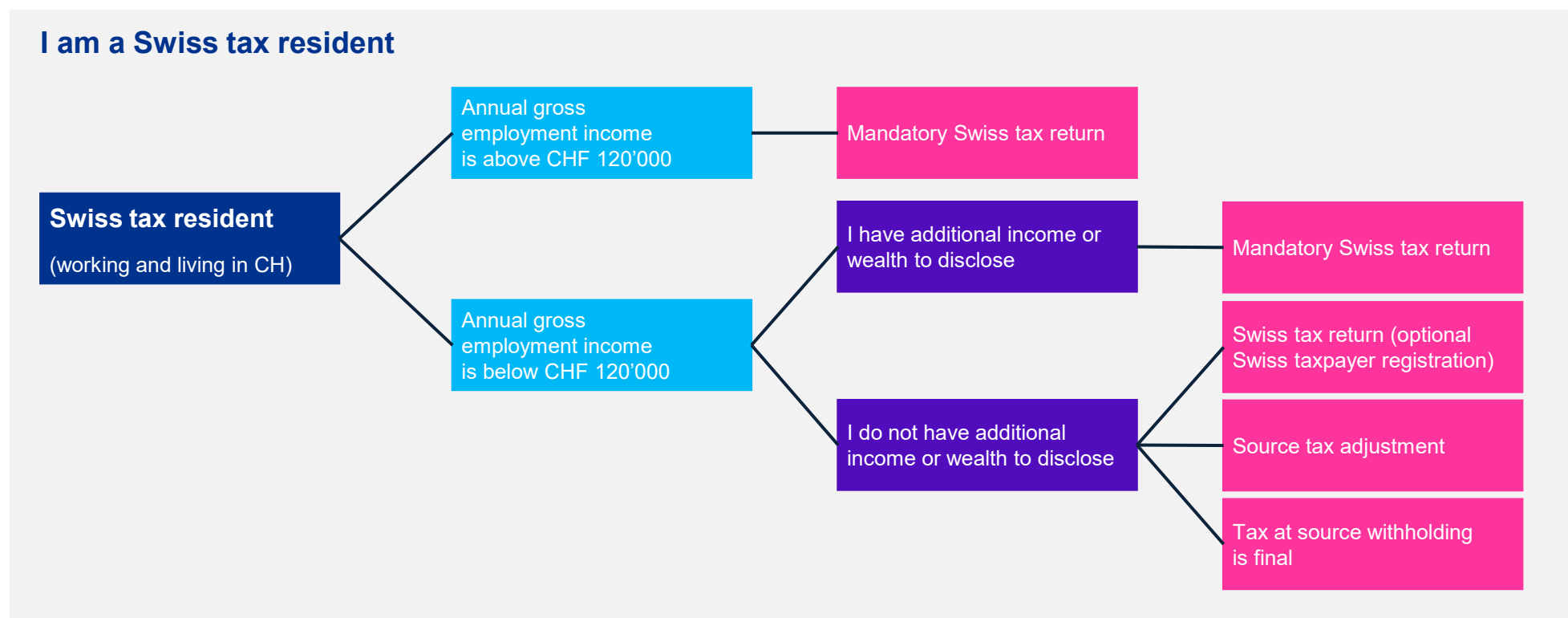
- Depending on your situation you will be considered limited or unlimited tax resident in Switzerland.
- Unlimited Swiss tax residents are usually working and living in Switzerland. As an unlimited tax resident you are subject to tax on worldwide income and wealth.
- As a limited tax resident in Switzerland or also non-resident you are in general only subject to tax on income and wealth from Swiss sources e.g. Swiss working days, Swiss real estate, Swiss investments etc. Swiss limited tax residents (=non-residents) can be people working but not living in Switzerland (which includes weekly commuters, who have their center of vital interest abroad) or only work in Switzerland for a short period of time. There are also additional situations that can trigger a limited tax residency in Switzerland.

We recommend to check if you will be considered a full or a limited tax resident in Switzerland, based on your personal circumstances.

Tax return filing required?

Decision Tree for «Swiss tax residents»

Tax residents who are Swiss nationals or C-Permit holders or married to a Swiss national or C-Permit holder have a mandatory Swiss tax return filing obligation. For others the decision tree below helps to determine the filing obligation.



«Resident» Is the Source tax the final tax liability in my situation ?

Mandatory Swiss tax return

If you fall under this category, you are required to file a **Swiss Tax Return** declaring your **worldwide** income and wealth. Please note that joint filing applies for married individuals

Swiss tax return (optional)

Falling under this category, you can **register as a regular Swiss taxpayer** to file a **Tax Return**. The deadline to do so is **31st March** of the subsequent year or at departure, if you leave Switzerland (no extensions available). This way you can claim additional deductions such as voluntary pillar 2 / pillar 3a contributions. However, not in every situation filing a tax return might be beneficial to you. When registering to file a tax return you are **required** to file a tax return from this date onwards also in subsequent years. Filing a Tax Return requires the declaration of all **worldwide** income and wealth (also joint filing obligation generally applies). We recommend you seek professional tax advice before deciding on this option.

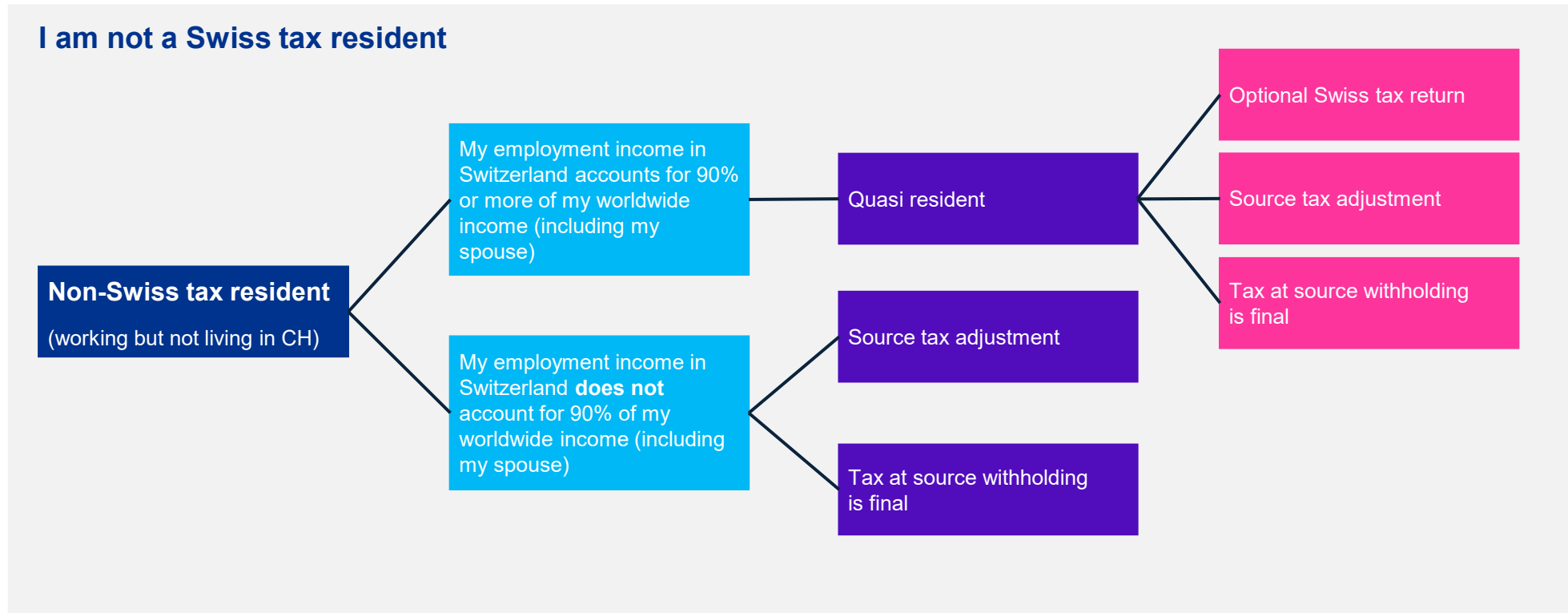
Source tax adjustment

A **tax at source adjustment** is possible under the following conditions:

- Taxable income incorrectly considered in Swiss payroll (i.e. foreign work days to be taxed abroad)
- Tax rate determining income has been incorrectly considered (i.e. payroll split)
- The applied tax at source tariff was not correct (i.e. family situation)
- **Deadline: 31st of March (non extendable)** of subsequent tax year, no additional deductions to be claimed

Tax return filing required?

Decision Tree for «Non-Resident»



«Non-Resident» Is the Source tax the final tax liability in my situation?

Optional Swiss tax return

The quasi-resident status can be claimed each year until the **31st of March** of the subsequent year at the latest. If the status (90% of worldwide income is taxable in CH) is accepted, a **Tax Return** has to be filed. When filing a tax return, additional deductions such as voluntary pillar 2 / pillar 3a contributions or additional professional expenses can be claimed, if applicable. However, not in every situation filing a tax return might be beneficial to you. Filing a Tax Return requires also the declaration of all **worldwide** income and wealth (also joint filing obligation generally applies). We recommend you seek professional tax advice before deciding on this option.

Source tax adjustment

A new **tax at source adjustment** is possible for **Quasi-residents** and **non-Quasi-residents** under the following conditions:

- Taxable income incorrectly considered in Swiss payroll (i.e. foreign work days to be taxed abroad)
- Tax rate determining income has been incorrectly considered (i.e. payroll split)
- The applied tax at source tariff was not correct (i.e. family situation)
- **Deadline: 31st of March** of subsequent tax year, no additional deductions to be claimed

03

Swiss Source Tax

Who is subject to source tax in Switzerland?

Swiss tax resident (usually working and living in Switzerland)

- Employees who are not Swiss nationals, do not have a residence permit (C- Permit) and are not married to a Swiss national or C-Permit holder

Non-Swiss tax resident (usually working but not living in Switzerland)

- Employees without a tax residency or domicile in Switzerland who are
 - only working in Switzerland for a short period of time
 - cross-border-worker
 - weekly commuters working for a Swiss employer

do generally fall under the source taxes obligation

The above list shows the most common circumstances a source tax obligation applies and is not final.

What is tax at source in Switzerland and how is it determined?

The tax at source is an estimated income tax deduction based on marital status, family size, religious affiliation and the canton of residence.

- It is calculated on the monthly gross employment income. Due to progressive tax rates the rate and amount deducted will be higher in a month in which you receive additional monthly income (e.g. bonus, allowances, etc.), compared to a month in which you just have your base salary.
- The rate is fixed according to source tax tables issued by the cantonal tax authorities
- For married dual income earners, a higher source tax rate is applied
- It represents the three levels federal, cantonal and communal taxes (average communal tax rate within the canton)
- In the tax rate various general deductions are already considered
- The tax at source can be the final tax obligation or are offset against your final tax liability, if a tax return is filed and assessed for respective period (see decision tree in section 2).
- If a tax return / source tax adjustment is filed and assessed, a refund or additional taxes can become due. The assessment process and therefore potential refunds can take up to 3 years
- In addition, private income and wealth is not considered in the source taxation which can lead to additional taxes due.

Example of withholding tax rates in the canton of Zurich: [Quellensteuer-Tarife | Kanton Zürich \(zh.ch\)](#)



04

Ordinary Taxation

The annual Swiss tax return

- Federal, cantonal and communal tax liabilities are all assessed based on the consolidated information declared in the annual Swiss tax return forms.
- The first tax filing due date for full year tax returns is generally 31st of March.
- The tax filing due date for part year tax returns depends on when the tax return forms are received and is clearly marked on the front page of the tax return form.
- There is a possibility to request extensions of the tax filing due date, if necessary.
- Any Swiss source taxes withheld by your employer are credited against your final Swiss tax obligation.
- Your final tax liability is generally determined based on the information declared in your annual Swiss tax return.

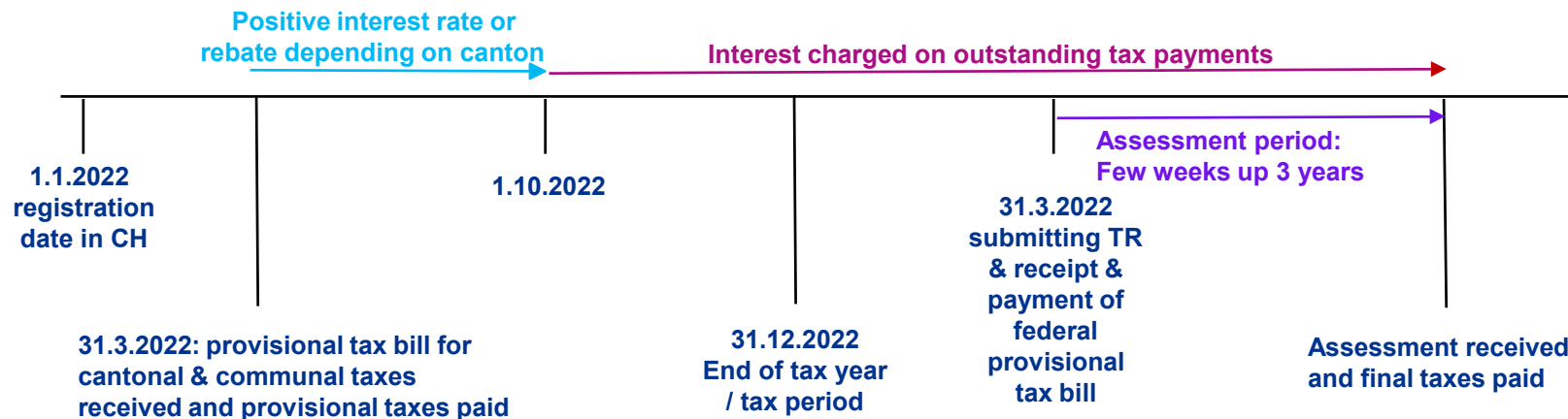
Special Tax Questions; Moving residency within Switzerland

- A Swiss tax resident who files a Swiss tax return, is subject to tax for the entire tax period based on the canton and community of residency at the end of the tax period. For example a full year Swiss tax resident is subject to tax for the entire tax year in the canton and community he is resident (and registered) on 31st December of the end of that tax year.
- Whenever you change residency within Switzerland, also if it is just from one community to another in the same canton, you are required to **deregister from the community you are leaving and re-register in your new community of residence**. In some communities/cantons this can be done online, while others require a personal visit.
- Manual **provisional tax payments** made are usually not transferred from one community to another. They are often refunded to you and you will have to make a new provisional tax payment in the new canton/community. **Withholding taxes paid** throughout the year are usually transferred to the new community of residence.
- Individuals are subject to source tax withholding according to the tariffs of their canton of residency (considering an average community tax rate). If you change residency cantons your withholding tax rates will therefore change as of the following months of your move (make sure to inform your employer about your new residency address immediately). If you have no tax return filing and your source tax is considered final there is no retroactive correction for the months before your move, the withholding tax is considered final in the canton you were at that time.
- You have to file a tax return and pay your taxes in the community, where you are registered on 31st of December.

The taxation timeline

The taxation timeline – Example below for tax year 2022

- Federal, cantonal and communal tax liabilities are all assessed based on the consolidated information declared in the annual Swiss tax return forms. Every single tax return is assessed in Switzerland.
- Generally tax return filing due date is 31st March, whereas for part year tax returns when leaving Switzerland during the year the filing date depends on when the tax form is received and is clearly marked on the front page of the tax return form.
- There is a possibility to request extensions of the tax filing due date if necessary. Some cantons charge 20 – 60 CHF per extension.
- Source taxes are credited against the federal and the cantonal and communal tax liability.



05

What is subject to Swiss Taxation?

Income – In General

What income is subject to taxation in Switzerland

- Income tax is imposed on your worldwide income and that of your spouse and children including:
 - Income from employment (salary, bonus, allowances, benefits in kind)
 - Income from retirement and pension funds
 - Child support
 - Alimony
 - Investment income (interest and dividends, stock option income)
 - Other earned income
 - Income from property in Switzerland
- The following is **not** subject to taxation in Switzerland but has to be reported to determine your tax rate:
 - Rental income from property abroad
 - Employment income including any bonus payments or employee awards for work performed abroad during your Swiss tax residency

The image shows a sample of a Swiss salary statement (Lohnausweis) form. It is titled 'Lohnausweis - Certificat de salaire - Certificato di salario' and 'Rentenbescheinigung - Attestation de rentes - Attestazione delle rendite'. The form is divided into several sections (A through H) and contains various fields for reporting income, deductions, and tax information. Key sections include:

- A:** Personal information (Name, Address, etc.)
- B:** Employer information (Name, Address, etc.)
- C:** Tax information (Tax ID, etc.)
- D:** Income breakdown (Salary, bonuses, allowances, etc.)
- E:** Deductions (Social security, pension, etc.)
- F:** Other income (Dividends, interest, etc.)
- G:** Tax credits and allowances (Child, spouse, etc.)
- H:** Summary of income and tax (Net income, tax amount, etc.)

Annual Swiss salary statement

→ Income may be exempted from Swiss income tax in accordance with the provisions of an applicable Double Tax Treaty e.g. bonus payment relating to work performed before arrival in Switzerland or rental income from property outside Switzerland.

Income – Equity Compensation

Specific income tax questions; Taxation of equity compensation

▪ General

- Equity compensation like shares, options, restricted share units etc. might be taxable as employment income at grant, vest or exercise.
- Equity compensation must be reported by the Swiss employer in the Swiss salary certificate and by the taxpayer in the Swiss tax return.

▪ Imported equity

- Equity held when entering Switzerland is regarded as “imported equity”.
- Imported equity compensation which vests while you are Swiss tax resident may be subject to Swiss tax and social security at vest or at exercise on a pro rata basis.

▪ Exported equity

- Equity held when leaving Switzerland is regarded as “exported equity”.
- Swiss income tax may be due at vest or exercise on equity compensation granted while you were a Swiss tax resident even after you have de-registered from Switzerland.
- Usually, exported equity compensation is subject to source taxation by the Swiss employer.
- The tax rate on exported equity in the Canton of Zurich is fixed at 31.5%(lump sum)

Income – Capital Gains/Losses

Specific income tax questions; Taxation of capital gain on private assets

- Capital gains resulting from the sale of private assets are considered as tax free capital gain.
- Capital gains resulting from the systematic and frequent sale of shares may be considered as self-employment income as a professional securities dealer and is subject to ordinary taxation.
- The key factors in the determining whether a capital gain is taxable or not include:
 - The systematic and timing of the activity (if you appear to an outsider to work as a trader).
 - The frequency of the transactions.
 - The short ownership of the share.
 - The close connection between the trade and the professional activity/specialist knowledge of the taxpayer.
 - The use of the proceeds from the sale to purchase similar assets.
 - The use of loans to finance trading activity is a strong indication that the capital gain constitutes income from self-employment.

Income – Real Estate

Specific income tax questions; Taxation of property

▪ Rental or deemed rental income

- All property owners resident in Switzerland are required to declare actual rental income or deemed rental income (living in the own property).
- Deemed rental income is based on the market value of the property.
- Lump-sum or actual maintenance costs are deducted from the rental income to determine the net rental income.
- Net rental income is allocated to the property location and foreign property is exempted from Swiss tax under progression.

▪ Mortgage interest

- Mortgage interest are fully tax deductible up to CHF 50'000 in excess of the income generated from your moveable and immoveable assets.
- The total amount is deducted to determine the Swiss tax rate applicable to income taxable in Switzerland.
- The mortgage interest deductible in Switzerland is determined by the portion of your total net assets that are allocated to Switzerland.

Foreign property is not subject to taxation in Switzerland but it increases or reduces the applicable income tax rate in Switzerland due to the exemption with progression method applied to avoid international double taxation.

Income – Possible Deductions (1/2)

What you can deduct from your income for tax purposes

- **Standard tax deductions**
 - Social security and pension contributions in Switzerland (and abroad under certain conditions)
 - Business expenses
 - Insurance and saving earnings
 - Marital status, children and dual income deductions
- **Non-standard deductions (Supporting documents must be provided in order to claim them)**
 - Voluntary contributions to Swiss pension funds (Pillar 2 or 3a)
 - Further education costs
 - Mortgage interest and property maintenance costs
 - Debt interest
 - Contributions to Swiss charities
 - Medical costs not covered by medical insurance in excess of a cantonal threshold
 - Support payments for dependent relatives

Income – Possible Deductions (2/2)

Expat Deductions (supporting documents must be provided in order to claim Expat Deductions)

▪ Requirements to claim Expat Deductions

- Managerial Employee («Leitender Angestellter») or Specialist in his/her field
- Intention to stay in Switzerland temporarily (less than 5 years)
- No local Swiss contract (unless there is a dormant home country contract and the Swiss contract is limited)

▪ Possible deductions

- Relocation and travel costs to Switzerland
- Housing costs in Switzerland (if housing is kept in home country)
- Schooling costs for children (if they are used to a foreign language)

▪ Not deductible

- Utilities
- Costs of flat abroad
- Higher costs of living or higher taxes in host country

Wealth

- Wealth tax is imposed on your worldwide net assets and those of your spouse and children under the age of 18 years.
- Outstanding liabilities can be deducted from total assets to determine the net asset amount.
- Some cantons set a wealth tax free threshold value.
- Property outside of Switzerland will be included for the determination of the wealth tax rate applicable to the net assets that are taxable in Switzerland.
- The total value of all assets and liabilities as of 31st December or the date of de- registration/departure from Switzerland has to be declared in your Swiss tax return.
- Wealth tax rates are typically less than 1%.

→ It has to be noted, that items considered tax free in your home country might still be taxable in Switzerland (i.e. US 529 accounts, UK ISA etc.)

Wealth – Worldwide Assets

- **Total worldwide assets are subject to wealth tax**
 - The value of your worldwide bank accounts
 - The value of your worldwide investments
 - The Swiss tax value of Swiss or foreign property
 - Life insurances with a surrender value
 - Valuable objects e.g. cars, jewelry, art, collections, precious metals, horses, etc.

- **Not subject to wealth tax**
 - Swiss or foreign pension funds recognized under Swiss laws

- **Deductible from your total worldwide assets**
 - Outstanding loans or mortgages
 - Credit card balances
 - Other debt balances

Other common notable Taxes

- **Church tax**

- If you profess Roman-Catholic, Christian-Catholic or Protestant church tax is levied in almost all cantons. Other religious beliefs may also trigger church taxes in some cities or cantons.
- If you do not profess any religion this should be clearly stated when your register in Switzerland.

- **Withholding tax on Swiss sourced investment income**

- Interest and dividends paid by Swiss companies, financial institutions or lotteries are subject to a 35% withholding tax.
- Withholding taxes can be reclaimed in the Swiss tax return of resident taxpayers and for non-residents from the Swiss federal tax authority if a double tax treaty allows a refund.

- **Property gain tax**

- All cantons impose taxes on property gain.

- **Gift and inheritance tax**

- All cantons except Schwyz apply gift and inheritance taxes. Spouses are always exempted but children might be taxed in Appenzell i. Rh, Neuchâtel and Vaud.

- **Personal tax, Fire fighter tax, secondary residency taxes, dog tax**

- Some cantons or even communes may apply the above mentioned, minor, taxes

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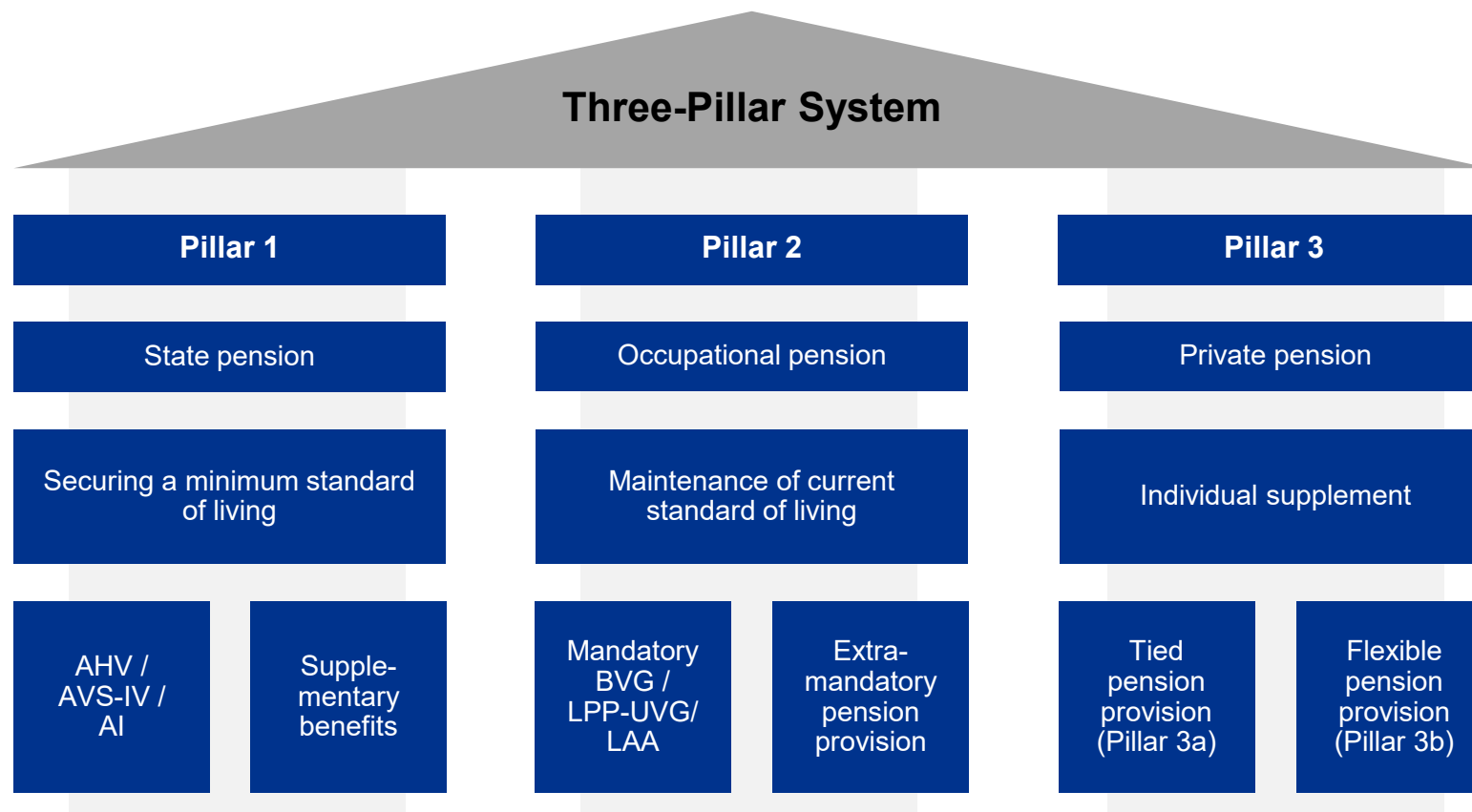
Swiss Social Security

Swiss social security

- If you are on a local employment contract in Switzerland, it is mandatory to contribute to the Swiss social security system.
- The Swiss pension system consists of three pillars.
- The Pillars 1 and 2 are mandatory whereas pillar 3 is voluntary.
- An individual health insurance is mandatory for all residents of Switzerland. Please be aware that after registering you have 3 months time to choose a health insurance company. Health insurance is selected and paid privately and not deducted from your salary.

The three pillar system

The aim is to maintain the standard of living for insured persons or their surviving dependents during retirement or in the event of disability or death.



Pillar 1 – Swiss state pension and mandatory insurances

- Pillar 1 (AHV, ALV, IV, EL, EO) is the basic Swiss social security.
- AHV, IV and EO are together 5.30% (2024) of your gross salary, uncapped and includes the state pension.
- ALV (including EL) or unemployment insurance (UI) - 1.1% up to CHF 148,200.
 - 0.00% from CHF 148,201 on (uncapped)
- Your AHV and ALV contributions are withheld monthly by the employer.
- Your contributions are deductible for Swiss tax purposes.
- Your contributions are also matched by your employer.

| | Old age and survivors Insurance (AHV) | Invalidity Insurance (IV) | Loss of income insurance (EO) | Unemployment insurance 1 (ALV 1) | Unemployment insurance 2 (ALV 2) |
|--|--|------------------------------|----------------------------------|--|---|
| Employee contributions due on gross employment income) | 4.35 % | 0.70% | 0.25% | 1.10% | None – as of 01.01.2023 |
| | Total: 5.30% (uncapped) | | | For income up to CHF 148,200 p.a. (capped) | For income over CHF 148.200 p.a. (uncapped) |

Pillar 1 – Benefits

- You can get benefits out of the 1st Pillar, if you contributed for at least 1 year
- Once you reach Swiss retirement age you are eligible to a life long monthly pension from Switzerland, primarily based on the years you've contributed, no matter if you are still in Switzerland or living abroad.
- Other events might occur in Switzerland that will make you or your relatives eligible for a benefit from Pillar 1 such as unemployment, invalidity or death.
- If you are still in Switzerland when receiving benefits, they will be taxed just as regular income
- If you are no longer in Switzerland when receiving benefits taxation depends on the country you are in and if there is a double tax treaty in place.

Pillar 2 – Swiss employer’s pension – Deduction of contributions

- Swiss employees also have to contribute to their employer’s pension fund if they earn more than CHF 22’050 on annual basis.
- Contributions are deducted from your monthly salary and at minimum matched by your employer.
- If you change your company within Switzerland the pillar 2 pension transfers to your new employer’s pension scheme.
- Monthly pension contributions are in average about **4-9% of the gross**
- It may be possible to make additional voluntary contributions to the pillar 2 pension, which are deductible for Swiss tax purposes. Please be aware that you might be in a different country than Switzerland with higher tax rates at time of payout, which might apply a full income tax on the payout of Swiss pension fund savings. With a buy in you save Swiss taxes, but might then pay a higher tax rate at time of withdrawal, depending on the type of withdrawal and residency.
- The tax benefit (max. buy in amount) may be limited if your employment income is, partially, subject to taxation abroad.
- As a foreign employee, contributing the first time into Pillar 2, the voluntary contributions (buy-ins) to the pillar 2 are limited to 20% of the insured salary during the first 5 years in Switzerland.

Pillar 2 – Benefits & Taxation

- In general, the pillar 2 pension fund can only be paid out to you
 - When you reach Swiss retirement age
 - When you leave Switzerland permanently
 - To purchase a primary property in Switzerland for self-use or
 - Become self-employed.
- If you leave Switzerland permanently part or all of the pillar 2 pension fund can be paid out to you and will be subject to beneficial source tax rates in Switzerland (applicable cantonal rates where institution is domiciled) at the time of payout. The pension payout might be taxed in the new country of residence. Swiss tax might be reclaimed, based on the double tax treaty.
- If you move from Switzerland to an EU State the mandatory pension amount will retain in Switzerland until you reach Swiss retirement age. They have to be transferred to a “Freizügigkeitskonto“ (vested benefits account) in Switzerland until time of payout.
- Voluntary contributions should not be paid out until 3 years (36 months) after the date they were paid in, otherwise you might lose the tax benefit you had a time of buy in.

Get advice from tax specialists in the country you are moving to before having your pension fund paid out. Plan well ahead!

Pillar 3a – Swiss voluntary pension – Contributions and payouts

- The pillar 3a pension is a voluntary, personal pension scheme offered by Swiss banks and insurance companies that is available to all employed and self-employed individuals in Switzerland above a certain level of income and subject to contributions to Pillar 1.
- Contributions to the pillar 3a pension are tax-deductible up to a maximum of CHF 7'056 (2024) per annum for employed individuals. Please be aware that you might be in a different country than Switzerland with higher tax rates at time of payout, which might apply a full income tax on the payout of Swiss Pillar 3 savings. With the contributions you save Swiss taxes, but might then pay a higher tax rate at time of withdrawal, depending on the type of withdrawal and residency.
- The account is blocked and not subject to wealth tax. Any income received on the pillar 3 account is also not subject to income tax until time of payout.

Pillar 3 – Benefits & Taxation

- In general, the pillar 3 pension fund can only be paid out to you
 - When you reach Swiss retirement age
 - When you leave Switzerland permanently
 - To purchase a primary property in Switzerland for self-use or
 - Become self-employed.
- If you leave Switzerland permanently all of the pillar 3a pension fund can be paid out to you and will be subject to beneficial Swiss tax rates at the time of payout (applicable cantonal rates where institution is domiciled). The pillar 3a payment might be taxed in the new country of residence. Swiss tax might be reclaimed, based on the double tax treaty.

Get advice from tax specialists in the country you are moving to before having your pension fund paid out. Plan well ahead!

07

Various Questions

Receiving a long-term residency permit (C-Permit)

- The eligibility for a C-Permit depends on the nationality of the applicant and his/her personal circumstances.
- Taxation of C-Permit holders is the same as for Swiss nationals.
- Deduction of Swiss source tax by the employer will stop, once the C-Permit is granted. You will have to build your own savings for taxes and make own provisional tax payments. A voluntary continuation of source tax is not possible.
- Individual is solely responsible to pay taxes and declaring income and assets to the tax authorities. A tax return becomes mandatory.

Buying a real estate e.g. house or an apartment in Switzerland

- This is an important financial decision with significant tax consequences in Switzerland including the following:
 - Normally, at least 20% of the purchase price is required as own capital.
 - Swiss pension funds money may be used as own capital.
 - The purchase of property offers preferential wealth taxation and further income tax deductions for maintenance and renovation costs.
 - Real estates for own use will have a deemed rental income that is considered as taxable income in the tax return and will increase the income tax rate.

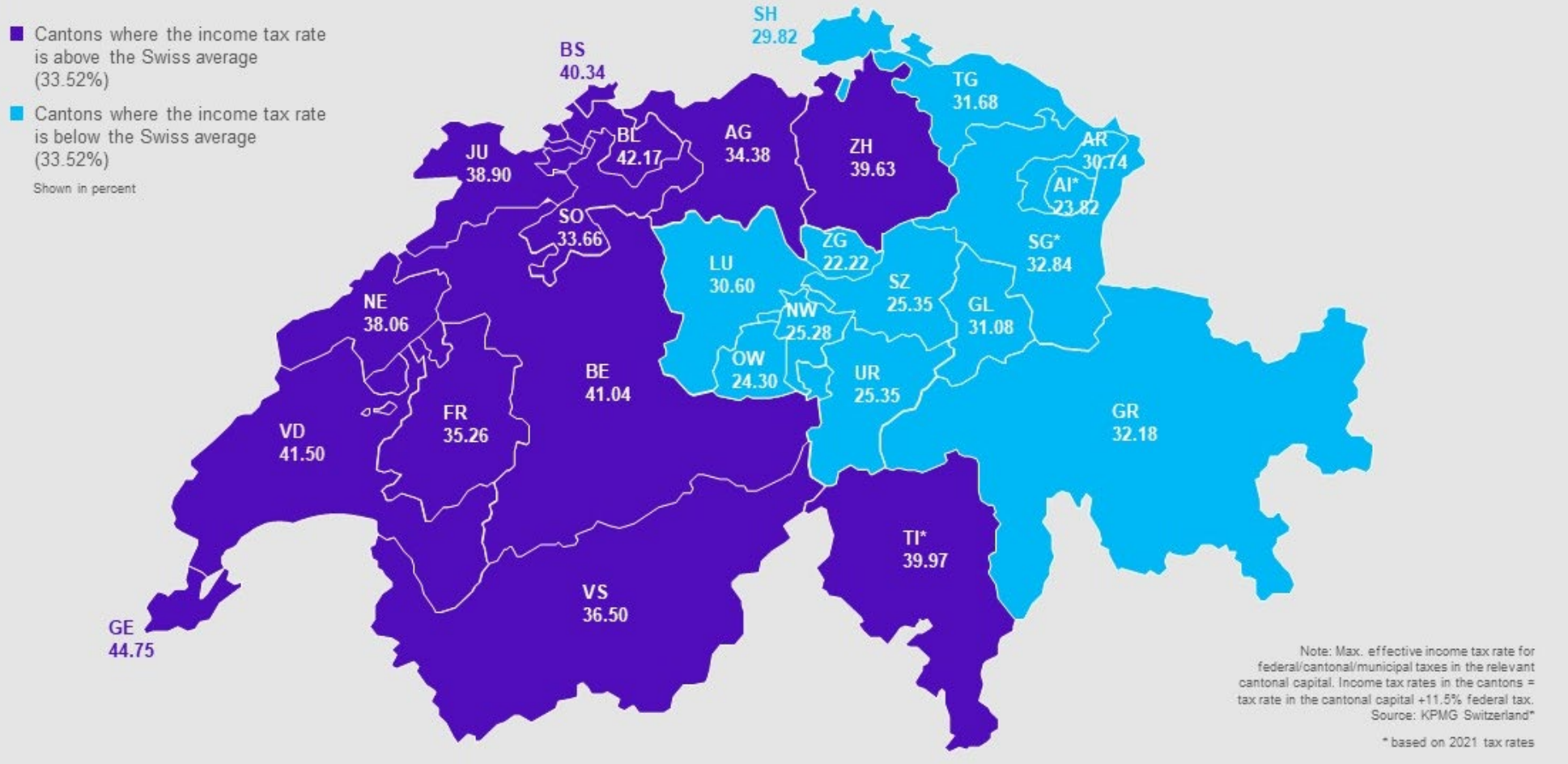
When considering purchasing a property in Switzerland the tax consequences should be considered in detail.

08

Attachments

Overview Tax Rates; Switzerland

Income tax rates in the cantons 2022



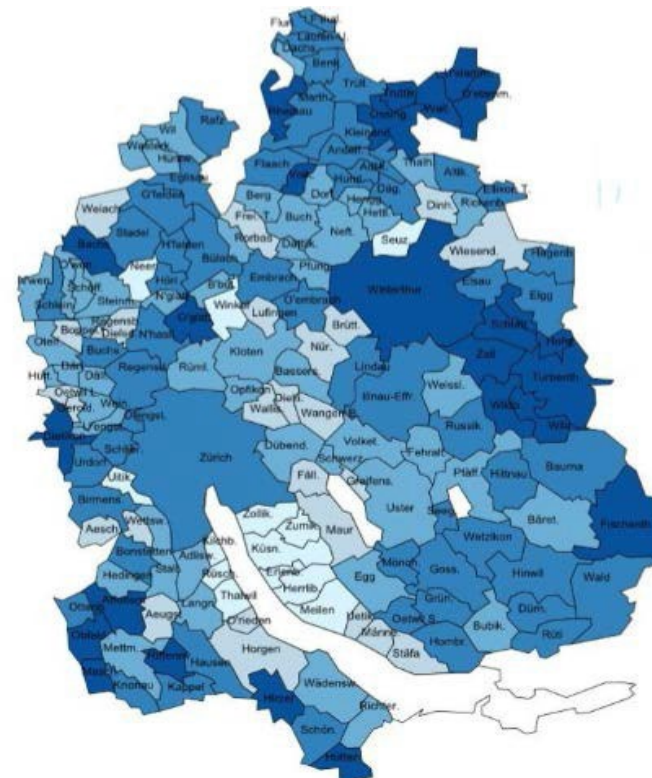
Overview Tax Rates; Zurich

Individual tax charge per community within the canton of Zürich

[Steuerrechner | Kanton Zürich \(zh.ch\)](#)

Individual tax charge per community within Switzerland

[Swiss ESTV tax calculator](#)



Canton Zurich department of justice and the interior: Tax rates 2020

Estimated amount of Income Taxes / Tax Rates

Example; Married, two children, no church tax (in cantonal capitals)

| Gross salary | 100'000 | 150'000 | 200'000 | 250'000 | 300'000 | 350'000 | 400'000 | 450'000 | 500'000 | 1'000'000 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Zurich ZH | 4'709 | 13'551 | 26'259 | 41'638 | 57'751 | 74'568 | 92'308 | 110'581 | 129'308 | 316'785 |
| <i>in %</i> | 4.71% | 9.03% | 13.13% | 16.66% | 19.25% | 21.31% | 23.08% | 24.57% | 25.86% | 31.68% |
| Schwyz SZ | 3'913 | 10'982 | 21'039 | 32'874 | 44'684 | 56'518 | 68'324 | 80'157 | 91'964 | 202'620 |
| <i>in %</i> | 3.91% | 7.32% | 10.52% | 13.15% | 14.89% | 16.15% | 17.08% | 17.81% | 18.39% | 22.06% |
| Luzern LU | 6'152 | 14'886 | 27'106 | 41'829 | 56'520 | 71'340 | 85'934 | 100'754 | 115'347 | 262'418 |
| <i>in %</i> | 6.15% | 9.92% | 13.55% | 16.73% | 18.84% | 20.38% | 21.48% | 22.39% | 23.07% | 26.24% |
| Zug ZG | 372 | 4'201 | 11'579 | 21'948 | 34'848 | 47'744 | 59'703 | 70'603 | 81'348 | 188'918 |
| <i>in %</i> | 0.37% | 2.80% | 5.79% | 8.78% | 11.62% | 13.64% | 14.93% | 15.69% | 16.27% | 18.89% |
| Basel BS | 6'400 | 18'084 | 32'153 | 47'929 | 63'672 | 79'448 | 95'189 | 110'967 | 126'708 | 314'347 |
| <i>in %</i> | 6.40% | 12.06% | 16.08% | 19.17% | 21.22% | 22.70% | 23.80% | 24.66% | 25.34% | 31.43% |
| Liestal BL | 6'184 | 18'659 | 34'695 | 53'257 | 72'158 | 91'206 | 110'356 | 129'618 | 148'956 | 345'868 |
| <i>in %</i> | 6.18% | 12.44% | 17.35% | 21.30% | 24.05% | 26.06% | 27.59% | 28.80% | 29.79% | 33.99% |
| Schaffhausen SH | 4'349 | 12'814 | 25'559 | 40'701 | 55'804 | 70'548 | 87'159 | 102'473 | 118'349 | 260'362 |
| <i>in %</i> | 4.35% | 8.54% | 12.78% | 16.28% | 18.60% | 20.16% | 21.79% | 22.77% | 23.67% | 26.04% |
| Aarau AG | 5'141 | 14'234 | 27'028 | 41'944 | 57'228 | 72'618 | 88'015 | 103'880 | 119'710 | 280'429 |
| <i>in %</i> | 5.14% | 9.49% | 13.51% | 16.78% | 19.08% | 20.75% | 22.00% | 23.08% | 23.94% | 28.04% |
| Bern BE | 8'397 | 19'208 | 34'231 | 52'050 | 70'075 | 88'333 | 107'044 | 126'170 | 145'295 | 338'594 |
| <i>in %</i> | 8.40% | 12.81% | 17.12% | 20.82% | 23.36% | 25.24% | 26.76% | 28.04% | 29.06% | 33.86% |
| Frauenfeld TG | 5'182 | 14'668 | 26'914 | 41'339 | 55'821 | 70'338 | 85'259 | 100'350 | 115'409 | 266'150 |
| <i>in %</i> | 5.18% | 9.78% | 13.46% | 16.54% | 18.61% | 20.10% | 21.31% | 22.30% | 23.08% | 26.62% |
| <i>Of which is</i> | | | | | | | | | | |
| Federal tax | 114 | 2'032 | 6'249 | 13'338 | 19'227 | 23'942 | 31'018 | 36'920 | 42'809 | 101'764 |
| <i>(included in above)</i> | | | | | | | | | | |
| <i>in %</i> | 0.11% | 1.35% | 3.12% | 5.34% | 6.41% | 6.84% | 7.75% | 8.20% | 8.56% | 10.18% |

Basis: Tax year 2022 / Source: Swiss Federal Tax Administration



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Estimated amount of Income Taxes / Tax Rates

Example; Single, no children, no church tax (in cantonal capitals)

| Gross salary | 100'000 | 150'000 | 200'000 | 250'000 | 300'000 | 350'000 | 400'000 | 450'000 | 500'000 | 1'000'000 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Zurich ZH | 12'566 | 25'041 | 40'546 | 41'638 | 58'036 | 94'921 | 113'739 | 132'597 | 151'415 | 337'343 |
| <i>in %</i> | 12.57% | 16.69% | 20.27% | 23.21% | 25.35% | 27.12% | 28.43% | 29.47% | 30.28% | 33.73% |
| Schwyz SZ | 9'936 | 19'234 | 30'008 | 32'874 | 41'891 | 68'010 | 81'350 | 94'541 | 106'794 | 226'998 |
| <i>in %</i> | 9.94% | 12.82% | 15.00% | 16.76% | 18.21% | 19.43% | 20.34% | 21.01% | 21.36% | 22.70% |
| Luzern LU | 13'417 | 24'352 | 37'328 | 41'829 | 52'031 | 81'626 | 96'408 | 111'221 | 126'003 | 271'524 |
| <i>in %</i> | 13.42% | 16.23% | 18.66% | 20.81% | 22.27% | 23.32% | 24.10% | 24.72% | 25.20% | 27.15% |
| Zug ZG | 6'076 | 15'513 | 26'392 | 21'948 | 37'211 | 58'906 | 69'742 | 80'600 | 91'437 | 197'458 |
| <i>in %</i> | 6.08% | 10.34% | 13.20% | 14.88% | 16.02% | 16.83% | 17.44% | 17.91% | 18.29% | 19.75% |
| Basel BS | 15'969 | 29'167 | 43'875 | 47'929 | 59'702 | 96'994 | 116'022 | 135'180 | 154'296 | 343'218 |
| <i>in %</i> | 15.97% | 19.44% | 21.94% | 23.88% | 26.10% | 27.71% | 29.01% | 30.04% | 30.86% | 34.32% |
| Liestal BL | 17'337 | 33'465 | 51'521 | 53'257 | 70'875 | 110'105 | 129'894 | 149'794 | 169'770 | 370'583 |
| <i>in %</i> | 17.34% | 22.31% | 25.76% | 28.35% | 30.14% | 31.46% | 32.47% | 33.29% | 33.95% | 37.06% |
| Schaffhausen SH | 13'329 | 25'613 | 40'283 | 40'701 | 56'013 | 84'897 | 98'892 | 113'181 | 127'475 | 260'362 |
| <i>in %</i> | 13.33% | 17.08% | 20.14% | 22.41% | 23.44% | 24.17% | 24.72% | 25.15% | 25.50% | 26.04% |
| Aarau AG | 13'498 | 25'832 | 40'221 | 41'944 | 56'135 | 88'011 | 109'179 | 126'358 | 143'500 | 267'940 |
| <i>in %</i> | 13.50% | 17.22% | 20.11% | 22.45% | 24.02% | 25.15% | 27.29% | 28.08% | 28.70% | 26.79% |
| Bern BE | 16'878 | 31'389 | 48'398 | 52'050 | 67'006 | 104'996 | 124'201 | 147'624 | 167'372 | 354'591 |
| <i>in %</i> | 16.88% | 20.93% | 24.20% | 26.80% | 28.65% | 30.00% | 31.05% | 32.81% | 33.47% | 35.46% |
| Frauenfeld TG | 13'512 | 25'217 | 38'951 | 41'339 | 54'091 | 84'421 | 99'569 | 114'750 | 129'899 | 279'094 |
| <i>in %</i> | 13.51% | 16.81% | 19.48% | 21.64% | 23.08% | 24.12% | 24.89% | 25.50% | 25.98% | 27.91% |
| <i>Of which is</i> | | | | | | | | | | |
| Federal tax | 1'897 | 5'329 | 10'185 | 16'136 | 22'115 | 28'108 | 34'088 | 40'080 | 46'060 | 103'466 |
| <i>(included in above)</i> | | | | | | | | | | |
| <i>in %</i> | 1.89% | 3.55% | 5.09% | 6.45% | 7.37% | 8.03% | 8.52% | 8.91% | 9.21% | 10.03% |

Basis: Tax year 2022 / Source: Swiss Federal Tax Administration



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Estimated amount of Wealth Taxes / Tax Rates

Example; Married, two children, no church tax (in cantonal capitals)

| Net wealth | 100'000 | 200'000 | 300'000 | 500'000 | 1'000'000 | 5'000'000 |
|-----------------|---------|---------|---------|---------|-----------|-----------|
| Zurich ZH | 48 | 48 | 207 | 550 | 1'891 | 23'766 |
| in % | 0.049% | 0.048% | 0.06% | 0.11% | 0.18% | 0.48% |
| Schwyz SZ | 0 | 0 | 0 | 382 | 1'387 | 9'427 |
| in % | 0% | 0% | 0% | 0.07% | 0.13% | 0.19% |
| Luzern LU | 50 | 197 | 490 | 1'076 | 2'542 | 14'267 |
| in % | 0.05% | 0.09% | 0.16% | 0.21% | 0.21% | 0.29% |
| Zug ZG | 0 | 0 | 0 | 153 | 1'206 | 11'926 |
| in % | 0% | 0% | 0% | 0.03% | 0.12% | 0.24% |
| Basel BS | 0 | 22 | 270 | 1'080 | 4'614 | 38'920 |
| in % | 0% | 0.01% | 0.09% | 0.21% | 0.46% | 0.78% |
| Liestal BL | 0 | 112 | 458 | 1'646 | 6'031 | 36'812 |
| in % | 0% | 0.05% | 0.15% | 0.32% | 0.60% | 0.74% |
| Schaffhausen SH | 60 | 126 | 293 | 627 | 2'540 | 20'654 |
| in % | 0.06% | 0.06% | 0.09% | 0.12% | 0.25% | 0.41% |
| Aarau AG | 0 | 0 | 175 | 724 | 2'455 | 19'864 |
| in % | 0% | 0% | 0.05% | 0.14% | 0.24% | 0.40% |
| Bern BE | 0 | 300 | 636 | 1'385 | 3'815 | 27'684 |
| in % | 0% | 0.15% | 0.21% | 0.27% | 0.38% | 0.55% |
| Frauenfeld TG | 0 | 0 | 0 | 278 | 1'669 | 12'801 |
| in % | 0% | 0% | 16.54% | 0.05% | 0.16% | 0.26% |

No wealth tax on federal level

Basis: Tax year 2022 / Source: Swiss Federal Tax Administration



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Estimated amount of Wealth Taxes / Tax Rates

Example; Single, no children, no church tax (in cantonal capitals)

| Net wealth | 100'000 | 200'000 | 300'000 | 500'000 | 1'000'000 | 5'000'000 |
|-----------------|---------|---------|---------|---------|-----------|-----------|
| Zurich ZH | 49 | 158 | 267 | 694 | 2'118 | 24'242 |
| <i>in %</i> | 0.04% | 0.07% | 0.08% | 0.13% | 0.21% | 0.48% |
| Schwyz SZ | 0 | 151 | 352 | 754 | 1'759 | 9'799 |
| <i>in %</i> | 0% | 0.07% | 0.11% | 0.15% | 0.17% | 0.20% |
| Luzern LU | 159 | 452 | 745 | 1'331 | 2'797 | 14'522 |
| <i>in %</i> | 0.15% | 0.22% | 0.24% | 0.26% | 0.27% | 0.29% |
| Zug ZG | 0 | 67 | 157 | 472 | 1'750 | 12'470 |
| <i>in %</i> | 0% | 0.03% | 0.05% | 0.09% | 0.17% | 0.25% |
| Basel BS | 28 | 282 | 760 | 2'298 | 6'050 | 39'626 |
| <i>in %</i> | 0.02% | 0.14% | 0.25% | 0.45% | 0.60% | 0.79% |
| Liestal BL | 51 | 356 | 826 | 2'262 | 6'792 | 37'381 |
| <i>in %</i> | 0.05% | 0.17% | 0.27% | 0.45% | 0.67% | 0.75% |
| Schaffhausen SH | 143 | 310 | 476 | 995 | 3'140 | 21'122 |
| <i>in %</i> | 0.14% | 0.15% | 0.15% | 0.19% | 0.31% | 0.42% |
| Aarau AG | 0 | 230 | 502 | 1'106 | 2'941 | 20'409 |
| <i>in %</i> | 0% | 0.15% | 0.16% | 0.22% | 0.29% | 0.41% |
| Bern BE | 153 | 472 | 833 | 1'632 | 4'111 | 28'018 |
| <i>in %</i> | 0.15% | 0.23% | 0.27% | 0.32% | 0.41% | 0.56% |
| Frauenfeld TG | 0 | 278 | 557 | 1'114 | 2'505 | 13'637 |
| <i>in %</i> | 0% | 0.13% | 0.18% | 0.22% | 0.25% | 0.27% |

No wealth tax on federal level

Basis: Tax year 2022 / Source: Swiss Federal Tax Administration



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International Income Allocation - Example

INTERNATIONAL TAX ALLOCATION Income Tax / Cantonal Tax Zurich

Tax period: 01.01.2022 - 31.12.2022

| | CHF | | | |
|---|---------------------------|-------------------|------------------|------------------------------|
| | Taxable in Switzerland | Taxable Abroad | Taxable TOTAL | Tax rate determining p.a. |
| Income from real estate: | | | | |
| - Income | - | 18'750 | 18'750 | 18'750 |
| - /. Expenses | - | -3'750 | -3'750 | -3'750 |
| Investment income bank accounts / securities | 7'500 | - | 7'500 | 7'500 |
| Bank charges / Wealth management costs | -2'500 | - | -2'500 | -2'500 |
| Income on Assets | 5'000 | 15'000 | 20'000 | 20'000 |
| <i>Deductions allocated in % of Assets:</i> | <i>33.33%</i> | <i>66.67%</i> | <i>100%</i> | |
| Debt interest | -3'000 | -6'000 | -9'000 | -9'000 |
| Subtotal | 2'000 | 9'000 | 11'000 | 11'000 |
| Employment income taxpayer | 400'000 | 50'000 | 450'000 | 450'000 |
| Employment income spouse | - | - | - | - |
| Child allowances / other income | - | - | - | - |
| <i>Direct Deductions</i> | | | | |
| /. Business expenses taxpayer | -7'111 | -889 | -8'000 | -8'000 |
| /. Business expenses spouse | - | - | - | - |
| /. Extraordinary pension buy ins taxpayer / spouse | - | - | - | - |
| /. Pillar 3 contributions taxpayer | -6'068 | -758 | -6'826 | -6'826 |
| /. Pillar 3 contributions spouse | - | - | - | - |
| /. Other | - | - | - | - |
| Subtotal | 388'821 | 57'353 | 446'174 | 446'174 |
| <i>Deductions allocated in % of allocation of income:</i> | <i>87.15%</i> | <i>12.85%</i> | <i>100%</i> | |
| /. Insurance Premiums | -5'232 | -768 | -6'000 | -6'000 |
| /. Double Earner deduction | - | - | - | - |
| /. Charitable Contributions | -436 | -64 | -500 | -500 |
| /. Child Deductions | -5'929 | -871 | -6'800 | -6'800 |
| /. Other Social Deductions | - | - | - | - |
| Total income taxable in Switzerland | 377'224 | | | |
| Total income exempted from Swiss taxation | | 55'650 | | |
| Total income overall | | | 432'874 | |
| Total tax rate determining income (p.a.) | | | | 432'874 |

International Wealth Allocation - Example

INTERNATIONAL TAX ALLOCATION Wealth Tax Zurich

Wealth at 31.12.2022

| | CHF | | |
|--|---------------------------|-------------------|------------------|
| | Taxable in Switzerland | Taxable Abroad | Taxable TOTAL |
| Real Estate: Tax Value Canton | - | 600'000 | 600'000 |
| Repartition value | 100% | 100% | |
| Real Estate: Repartition value | - | 600'000 | 600'000 |
| Bank accounts / Securities | 300'000 | - | 300'000 |
| Cars / Boats etc | - | - | - |
| Other Wealth | - | - | - |
| Total Assets Gross | 300'000 | 600'000 | 900'000 |
| Asset allocation in % | 33.33% | 66.67% | 100% |
| ./. Debts | -166'667 | -333'333 | -500'000 |
| Correction Repartition value | - | - | - |
| Total Assets Net | 133'333 | 266'667 | 400'000 |
| Asset allocation in % | 33.33% | 66.67% | 100% |
| ./. Social Deductions | - | - | - |
| Total wealth taxable in Switzerland | 133'333 | | |
| Total wealth exempted from Swiss taxation | | 266'667 | |
| Total wealth overall | | | 400'000 |



U.S. Tax and Switzerland

October 2024



Table of Contents

| | | |
|----------|---|-----------|
| 1 | The Big Picture | 53 |
| 2 | Filing Requirements | 55 |
| 3 | Foreign Earned Income Exclusion | 60 |
| 4 | Foreign Tax Credit | 62 |
| 5 | Net Investment Income Tax | 64 |
| 6 | Reporting Foreign Financial Accounts | 66 |
| 7 | State Taxation | 68 |
| 8 | US Interaction With Swiss Taxation | 73 |
| 9 | Case Study | 78 |

01

**The Big Picture:
Citizenship-Based
Taxation**

Citizenship-Based Taxation

- U.S. is one of the two countries in the world to tax based on citizenship
- U.S. imposes the same tax regime to its citizens regardless of residence
- U.S. citizens, Green Card holders, resident aliens are taxed on worldwide income



- Non-resident aliens are taxed on U.S. sourced income



02

Filing Requirements

U.S. Tax System

Who files

- Every U.S. Citizen, Green Card holder, resident, non-resident with U.S. sourced income

Filing Status

- Single
- Married filing jointly
- Married filing separately
- Head of household
- Qualifying surviving spouse

Level of income taxation

- Federal – Internal Revenue Services (IRS)
- State – 43 out of 50 States impose income taxes
- Local – City or municipality



Taxable period

- U.S. tax year – calendar year

Tax return due date

- April 15th
- June 15th (living abroad)

Extension (if requested)

- October 15th
- December 15th

Filing Requirements: Income Threshold for 2024

| | Under 65 | 65 and Older |
|----------------------------------|---|--------------|
| Single | \$14,600 | \$16,450 |
| Married, Filing Jointly (MFJ) | If both spouses are under 65: \$29,200 | \$32,300 |
| | If one spouse is under 65: \$30,750 | |
| Head of Household (HOH) | \$21,900 | \$23,850 |
| Married, Filing Separately (MFS) | \$5 | \$5 |
| Qualifying surviving spouse | \$29,200 | \$30,750 |

Dependent Income Requirements for Filing a Tax Return

Single

| | Under 65 | 65 and Older | 65 and Older and Blind |
|---------------------------------------|---|---|---|
| Your unearned income was more than... | \$1,250 | \$3,100 | \$4,950 |
| Your earned income was more than.. | \$13,850 | \$15,700 | \$17,550 |
| Your gross income was more than... | \$1,250 or | \$3,100 or | \$4,950 |
| | Earned income (up to \$13,450) plus \$400 | Earned income (up to \$13,450) plus \$2,250 | Earned income (up to \$13,450) plus \$4,100 |

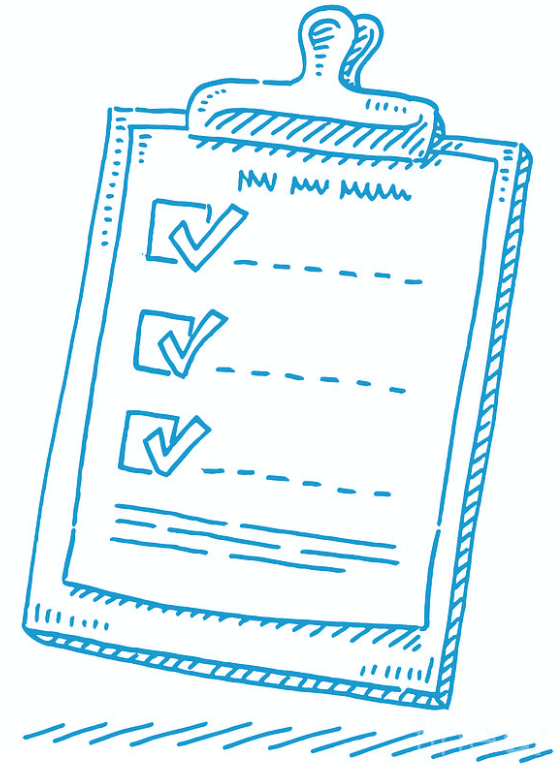
Married

| | Under 65 | 65 and Older | 65 and Older and Blind |
|---------------------------------------|---|---|---|
| Your unearned income was more than... | \$1,250 | \$2,750 | \$4,250 |
| Your earned income was more than.. | \$13,850 | \$15,350 | \$16,850 |
| Your gross income was more than... | \$1,250 or | \$2,750 or | \$4,250 |
| | Earned income (up to \$13,450) plus \$400 | Earned income (up to \$13,450) plus \$1,900 | Earned income (up to \$13,450) plus \$3,400 |



Other Situations that Require Filing a Tax Return

- You had self-employment net earnings of at least \$400.
- You received distributions from a health savings account, Archer Medical Savings Account or Medicare Advantage MSA.
- You owe taxes on an IRA, health savings account or other tax-favored account.
- You owe taxes on household employees.
- You owe Social Security or Medicare tax on tips you didn't report to your employer or that your employer didn't already take out of your pay.
- You owe uncollected Social Security, Medicare or railroad retirement tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts.
- **And more...**



03

**Foreign Earned
Income Exclusion
(FEIE)**

FEIE: a Powerful Tool

- Allows you to exclude a portion of your earned income from US taxation
 - In 2024, the exclusion amount is \$126,500
- Additional housing exclusion is available in certain cases
- Only U.S. residents abroad (i.e. U.S. residents and Green Card holders) may claim this exclusion if they pass one of the two tests:
 - **Bona fide residence test:** considered bona fide resident of a foreign country for an uninterrupted period that includes an entire year.
 - **Physical presence test:** be physically present in a foreign country for 330 or more full days out of a 12-month period.



04

Foreign Tax Credit (FTC)

FTC: Avoiding Double Taxation

If you pay income taxes in your foreign country of residence, you can be credited against your U.S. tax liability

Two types:

Foreign tax credit limitation

Excess foreign tax credit carryover



05

Net Investment Income Tax

Net Investment Income Tax (NIIT)

- 3.8% tax on net unearned income when the modified adjusted gross income (MAGI) exceeds threshold
 - Threshold (not indexed for inflation):
 - Joint filers with MAGI over \$250,000
 - MFS with MAGI over \$125,000
 - Single and HOH filers with MAGI over \$200,000
 - Qualifying widow(er) with dependent child \$250,000
- Cannot be offset with foreign tax credits

Form **8960** Net Investment Income Tax—
Individuals, Estates, and Trusts

Department of the Treasury Internal Revenue Service Attach to your tax return. Go to www.irs.gov/Form8960 for instructions and the latest information.

OMB No. 1545-2227
2023
Attachment Sequence No. **72**

Name(s) shown on your tax return _____ Your social security number or EIN _____

Part I Investment Income Section 6013(g) election (see instructions)
 Section 6013(h) election (see instructions)
 Regulations section 1.1411-10(g) election (see instructions)

| | | | |
|-----------|---|-----------|--|
| 1 | Taxable interest (see instructions) | 1 | |
| 2 | Ordinary dividends (see instructions) | 2 | |
| 3 | Annuities (see instructions) | 3 | |
| 4a | Rental real estate, royalties, partnerships, S corporations, trusts, trades or businesses, etc. (see instructions) | | |
| 4b | Adjustment for net income or loss derived in the ordinary course of a non-section 1411 trade or business (see instructions) | | |
| 4c | Combine lines 4a and 4b | 4c | |
| 5a | Net gain or loss from disposition of property (see instructions) | | |
| 5b | Net gain or loss from disposition of property that is not subject to net investment income tax (see instructions) | | |
| 5c | Adjustment from disposition of partnership interest or S corporation stock (see instructions) | | |
| 5d | Combine lines 5a through 5c | 5d | |
| 6 | Adjustments to investment income for certain CFCs and PFICs (see instructions) | 6 | |
| 7 | Other modifications to investment income (see instructions) | 7 | |
| 8 | Total investment income. Combine lines 1, 2, 3, 4c, 5d, 6, and 7 | 8 | |



06

**Reporting Foreign
Financial Accounts
(FBAR/Form 8938)**

FBAR/ Form 8938: Stay Compliant

FinCEN Form 114, known as Foreign Bank Account Report (FBAR)

- If a U.S. person has financial accounts outside the U.S. with an aggregate value exceeding \$10,000 at any point during the year, then must file FBAR
- Failure to file FBARs can result in significant penalties. Non-willful penalties usually up to \$10,000 per violation, while willful violations can be up to \$100,000 or 50% of the account balances.
- Failure to report can also lead to criminal penalties

Form 8938: Statement of Specified Foreign Financial Assets

- When filing Form 1040, if you have foreign financial accounts of \$50,000 (or \$200,000/\$400,000 for certain categories), you may need to file Form 8938 along with your tax return.
- Failure to file Form 8938 may lead to penalties
 - \$10,000 failure to file penalty
 - Additional penalty of up to \$50,000 for continued failure to file after IRS notification
 - 40 percent penalty on an understatement of tax attributable to non-disclosed assets.



07

State Taxation

State Taxation: Generalization

- No two states' tax system is the same
- States will usually tax residents on their worldwide income and gains – echoing taxation of tax residents at the federal level
- Non-residents will only be subject to tax at the state/city level on the income or gains “sourced” to that state
- Generally income is sourced as:
 - Compensation earned from working in the state
 - Rental income from real estate located in the state
 - Income from business conducted in the state
 - Gains on assets with situs in the state
- Every state determines its residents differently

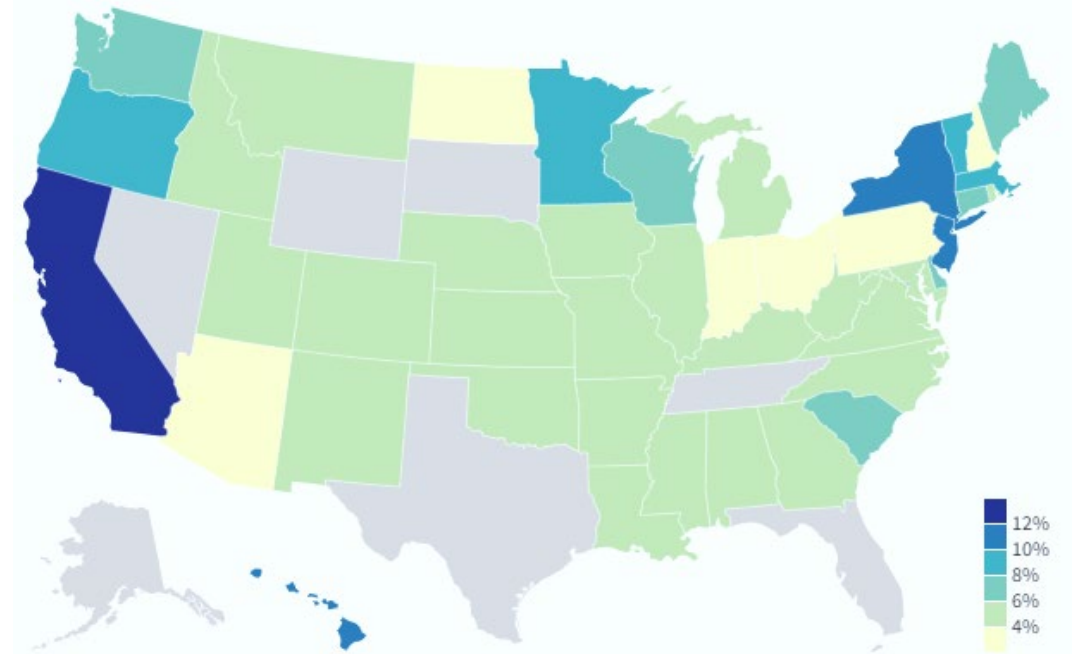


State Taxation: No Income Tax

- There are some states that do not levy state income tax:
 - Alaska
 - Florida
 - Nevada
 - South Dakota
 - Tennessee
 - Texas
 - Washington
 - Wyoming

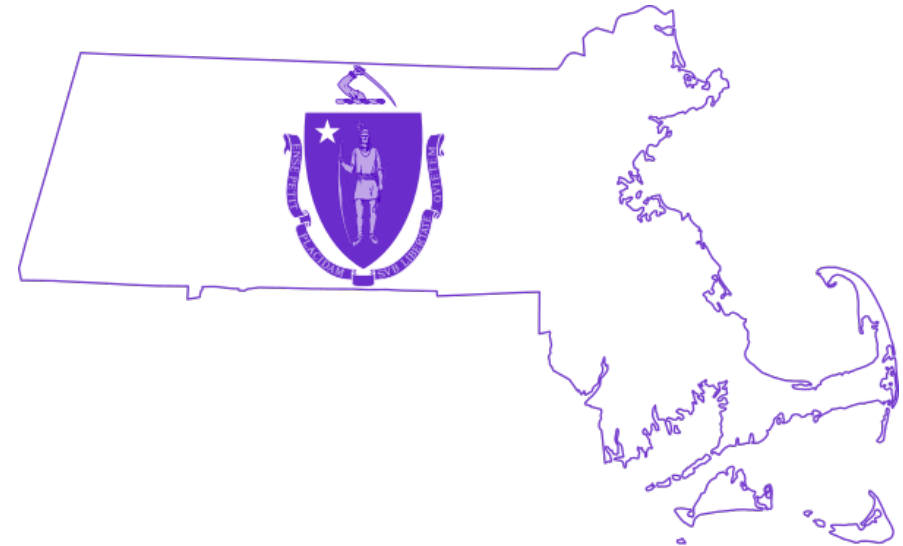
New Hampshire does not tax earned wages

Top Marginal Individual Income Tax Rates by State



Massachusetts (MA)

- **Domiciled or not domiciled?**
 - Generally, “permanent home” is the place where you intend to return to after being away
 - You can only have one domiciled state
 - Does not change until you demonstrate you have abandoned your current domicile and established a new one
- **Fully year resident:**
 - **Domicile:** your home is in MA for the entire year
 - **Non-domicile:** You maintain a permanent place of abode in MA and spend less than 183 days or part days in MA during the tax year
- **Part year resident:**
 - Your move to or out of MA during the year and become/cease to be MA resident



California (CA)

- Domiciled or not domiciled?
- Considered resident if
 - In the state for other than a temporary or transitory purpose
 - Domiciled in CA but residing outside of the state for a temporary or transitory purpose
- Presumption of Non-residence (Safe Harbor)
 - Left CA under an employment related contract
 - Contract is at least 546 consecutive days
 - Visits to CA during the 546 days do not exceed 45 days during any taxable year



08

U.S. Interaction With Swiss Taxation

U.S./Swiss Treaty Consideration

Employment Income

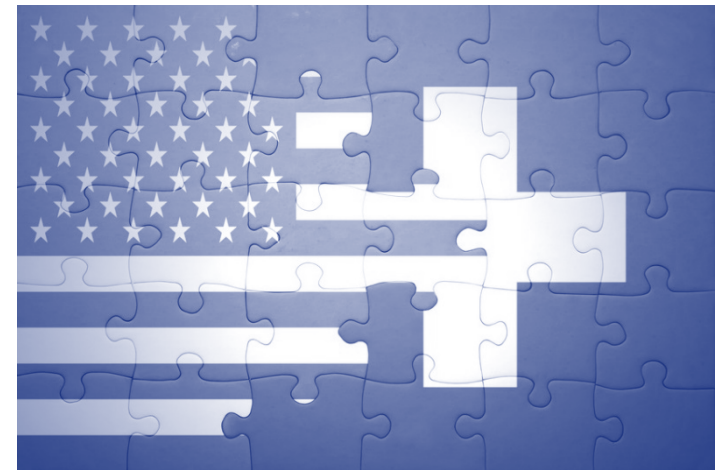
- **Remuneration derived by a resident of Switzerland in respect to employment income, will be taxable in Switzerland unless conditions under Art. 15.2 apply:**
 - Present in the U.S. for more than 183 days
 - Remuneration paid by or on behalf of a U.S. company
 - Remuneration not borne by a permanent establishment or fixed base that the Swiss employer has in Switzerland

Royalty Income

- **Any income from royalties should be subject to taxation in accordance with Art. 12 (place of residence)**

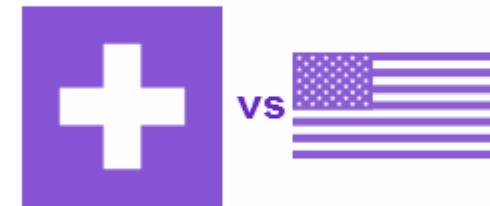
Other Income

- **If the payment should not qualify as employment income or any other specific type of remuneration then the right of taxation would be determined by Art. 21 (place of residence)**



U.S. vs Swiss Investment Income

- No capital gains tax in Switzerland (except trader)
- 529 Plan (savings plan) taxable in Switzerland for wealth and income tax purposes
- U.S. tax exempt interest is taxable in Switzerland
- Dividends are taxed at ordinary rates (no preferential rate)
- Swiss wealth taxes can be claimed as itemized deductions.



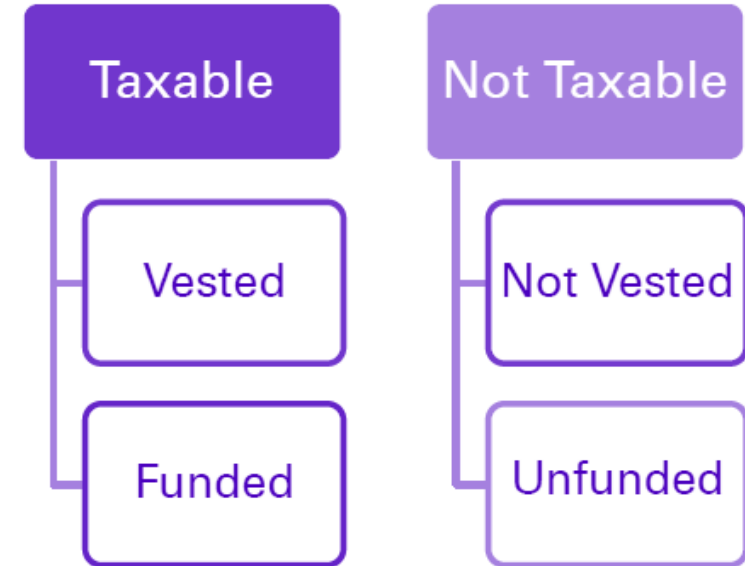
U.S./Swiss Treaty – Resourcing Provisions

- Provides another approach to relief from double taxation
- Resources otherwise U.S. sourced income as foreign for **U.S. citizens** (not green card holders) resident in **Switzerland**
- Cannot reduce U.S. tax on income below the amount a non-citizen would pay
- Applies to:
 - U.S. bank interest
 - Dividends from U.S. corporations (although 15% US tax generally applies)
 - Compensation related to U.S. workdays while Swiss resident



Swiss Pension Arrangements

- U.S. tax implications for employer contributions to foreign pensions (absent treaty provision)
- Swiss plans are required by law to be fully funded and to vest immediately:
 - Employer contributions be added to U.S. taxable income
 - In certain cases, plan earnings may also have to be included
 - U.S. citizens cannot use the treaty to deduct a contribution to a Swiss pension while on assignment to the U.S.



09

Case Study

Case Study 1

- Mr. Smith is a single U.S. citizen living in Switzerland with a C permit. He earns CHF 110,000 per year with a bonus of CHF 5,000 and participates in his employer pension fund. The employer savings contribution to his pension is CHF 5,750 per year and he also receives representation allowance of CHF 5,000. During the year, Mr. Smith worked 20 days in Texas.

| <u>Compensation Details</u> | <u>Reported in Salary Certificate (CHF)</u> | <u>Swiss Taxable Income</u> | <u>US Taxable Income (Fed)</u> | <u>TX Taxable Income</u> |
|-----------------------------------|---|-----------------------------|--------------------------------|--------------------------|
| Wages | | | | |
| Base Salary | 110'000.00 | 110'000.00 | 110'000.00 | N/A |
| Bonus | 5'000.00 | 5'000.00 | 5'000.00 | N/A |
| Total Gross Salary | 115'000.00 | | | |
| Employee Swiss Social Security | 6'095.00 | -6'095.00 | N/A | N/A |
| Employee Pension Contribution | 7'015.00 | -7'015.00 | N/A | N/A |
| Employer Pension Contributions | 5'750.00 | N/A | 5'750.00 | N/A |
| Representation Allowance | 5'000.00 | N/A | 5'000.00 | N/A |
| Total Taxable Compensation | | 101'890.00 | 125'750.00 | - |

Case Study 1.1

- What would change if Mr. Smith worked in New York instead of Texas?
 - As a non-resident in NY, a tax return must be filed in the NY adjusted gross income exceeds the NY state standard deduction amount.

New York State standard deduction table

| Filing status | Standard deduction (enter on line 33) |
|--|---------------------------------------|
| (1) Single and you marked item C Yes | \$3,100 |
| (1) Single and you marked item C No | \$8,000 |
| (2) Married filing joint return | \$16,050 |
| (3) Married filing separate return | \$8,000 |
| (4) Head of household (with qualifying person) | \$11,200 |
| (5) Qualifying surviving spouse | \$16,050 |

| Compensation Details | Reported in Salary Certificate (CHF) | NY Taxable Income |
|-----------------------------------|--------------------------------------|-------------------|
| Wages | | |
| Base Salary | 110'000.00 | 9'166.67 |
| Bonus | 5'000.00 | 416.67 |
| Total Gross Salary | 115'000.00 | |
| Employee Swiss Social Security | 6'095.00 | N/A |
| Employee Pension Contribution | 7'015.00 | N/A |
| Employer Pension Contributions | 5'750.00 | 479.17 |
| Representation Allowance | 5'000.00 | 416.67 |
| Total Taxable Compensation | | 10'479.17 |

*Assuming 240 total work days

Case Study 2

- Mr. Smith is a single Swiss citizen living in Switzerland. He earns CHF 110,000 per year, bonus of CHF 5,000, and participates in his employer pension fund. The employer savings contribution to his pension is CHF 10,000 per year with representation allowance of CHF 5,000. During the year, Mr. Smith went on assignment to New Jersey where he worked for 4 months (i.e., 80 days).
- NJ considers non-residents those who are not domiciled in the state and spend less than 183 days in NJ.
- Treaty exempt income for federal purposes is not exempt from tax for NJ purposes.

| Nonresident NJ Required Filing If: | Worldwide Income More Than |
|--|----------------------------|
| Single | |
| Married/CU partner, filing separate return | \$10,000 |
| Married/CU couple, filing joint return | |
| Head of household | |
| Qualifying widow | \$20,000 |

| Compensation Details | Reported in Salary Certificate (CHF) | NJ Taxable Income |
|-----------------------------------|--------------------------------------|-------------------|
| Wages | | |
| Base Salary | 110'000.00 | 36'666.67 |
| Bonus | 5'000.00 | 1'666.67 |
| Total Gross Salary | 115'000.00 | |
| Employee Swiss Social Security | 6'095.00 | N/A |
| Employee Pension Contribution | 7'015.00 | N/A |
| Employer Pension Contributions | 5'750.00 | 1'916.67 |
| Representation Allowance | 5'000.00 | 1'666.67 |
| Total Taxable Compensation | | 41'916.67 |

*Assuming 240 total work days

Questions

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