Taxation: The Swiss Perspective

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Taking up the initial words of the adjacent article, Switzerland also offers – besides the beautiful landscape, chocolate and banks – a lot of reasons to take up residency. However, during the last few years the European Union, the G20 states as well as the OECD forced Switzerland to adjust its tax law in order to avoid tax evasion of individuals, but also to be able to adapt to the OECD's action plan on BEPS (base erosion and profit shifting). As a result, the Swiss parliament is currently debating the final content of the so-called "corporate tax reform III". The corporate tax reform III will enable Switzerland to be in line with the demands of the other states respectively the OECD – in other words, to avoid future tax planning strategies that take advantage of tax rulings that lead to a non-taxation or to a shift of profits to countries with low tax rates, resulting in only minimal or even, overall, no taxation at all.

In order to maintain the attractiveness for foreign companies, the allocation of tax revenue is shifted towards the cantons, allowing them to lower their tax rates for regularly taxed companies. As a result, special tax regimes for holding or domiciliary companies can be abolished. So far, the Canton of Vaud is the only canton that already lowered the tax rates: with effect from January 1, 2016, the corporate tax rate is being reduced to 13.79%. The future will show to which extent the lowering of corporate tax rates will be implemented in other cantons.

Considering the recent developments on individuals' taxation it should be mentioned that the Canton of Schaffhausen and the Canton of Zurich abolished the special tax regime of lump-sum taxation in 2012 respectively 2010. Since 2012, three further cantons (Appenzell-Ausserrhoden, Basel-Country and Basel-City) decided to abolish the lump-sum tax regime. The remaining cantons still allow this special taxation, however, with a much higher tax basis than in the past.

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The taxable base is the net value of the property and rights received, minus deductible debts and expenses. This tax is calculated at progressive rates, with the top marginal rate of 34% applying to € 797,555.08 and higher. Tax liability depends on: (i) the individual's net wealth before receiving the inheritance or gift, and (ii) the relationship with the deceased or donor.

However, in recent years, certain autonomous regions have introduced provisions lowering the tax base, including a 99% tax rebate, if certain conditions are met.

Other exemptions and allowances include a 95% allowance to close family members inheriting a family company.

Non-residents qualifying as tax residents in an EU member state can apply the autonomous region legislation, which is usually more favorable, as from September 3, 2014, when the EU court issued decision C-127/12.

Personal income tax

Spanish tax residents must pay personal income tax on their worldwide income and capital gains.

Taxpayer income is broken down, where applicable, into two tax bases: (i) the general taxable base, which includes employment income, business income, capital gains not included in the savings base and imputed income; and (ii) the savings taxable base, which includes investment income (e.g., dividends and interest) and capital gains from the transfer of assets. The general base is taxed progressively, with a top marginal rate of 43.5%. The savings base is taxed at a progressive rate ranging from 19 to 23%. Please note that each autonomous region may modify certain aspects of the PIT, including tax rates.

Impatriates tax regime

The regime for individuals moving to Spain to work (impatriates) has remained stable since its introduction, but certain modifications were introduced last year to income taxation and requirements. This is still an optional regime under which individuals, in the tax year when they move to Spain and the following five tax years, are taxed under the non-resident income tax rules (it also affects net wealth tax). Under these rules, only Spanish-source income is taxed (except for employment income, taxable in Spain regardless of its source). Investment income and capital gains are taxed at 19 to 23% and the remaining income at 24%, up to € 600,000; the rest is taxed at 45%.

Consequently, tax planning is crucial to optimize the tax burden on personal income tax, net wealth tax and inheritance and gift tax, but the Spanish tax system makes setting up headquarters and tax residency in Spain attractive.

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