SWISS PROPERTY LAW

Excelion Development Group Ltd

Abstract

Some explanatory points to the Swiss Property Purchase Law
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1. Introduction.

1.2 Switzerland has a limitation on which nationality can buy a property in Switzerland. Regular residential and commercial properties cannot be purchased by a foreigner. Vacation rentals on the other hand, are available for foreign buyers.

1.3 Properties that cannot be purchased by foreign individuals, cannot not be purchased by companies owned by foreigners either.

1.4 Switzerland has a tax treaty with Israel, however, the taxes mentioned in this report reflects the taxes that need to be paid in Switzerland for income generated in Switzerland alone, the tax bracket however, is based on the worldwide income. How the treaty affects the foreign nationals in their home country, is to be discussed with their local tax advisor.

2. Taxes – Individuals.

2.1 Non-Swiss residents pay income tax in Switzerland based on the actual rental income generated by the property less all the expenses relating to the rental property, on the Federal, Canton and communal level. They are also taxed on their Swiss-based wealth (i.e. property they own is Switzerland) Please see Example I

2.2 Individual tax rate is progressive. Please see sample II.

2.3 Registration tax, and other fees, must be paid every time a name is changed on the registry. These fees amount to approximately 3.2%.

2.4 There is a minimal property tax in Switzerland, from as low as 0.05% up to .3%

2.5 There is no Inheritance tax on the Federal level. On the canton level however, there is, depending on your relationship to the person receiving the inheritance. See example III

2.6 There is no capital gain's tax on the federal level. On the canton and communal level there is regressive tax based on the amount of years the property was held by the owner. Appendix A.

2.7 Individuals have to pay VAT on purchases they make, but they do not charge VAT for what they sell. (no VAT on rental income)

Taxes – Corporations.

3.1 Federal corporate tax is a 12.5% for income up to 150.000 CHF and 22.5 for more than 150.000 CHF.

3.2 Dividends withholding tax to individuals is 35%, but is being reimbursed on the individual level. Between EU corporations, it is 0%.

3.3 A GMBH formation costs approximately 2.500 CHF.

For any inquiries and more information, please do not hesitate to contact me at kyle.reh@exceliondev.com or at +323.808.58.58

Disclaimer: The purpose of the information provided above is not in-lieu of legal advice but to give a short overview in the subject matter and may not be relied on. It is your duty as a potential buyer to contact your accountant and/or lawyer to receive full legal/accountancy/tax advice.

Examples

Example I:

Evaluation de l'impôt sur le revenu et la fortune

Période fiscale	2017	Etat civil	Célibataire	Enfants	0
Commune	LEUKERBAD	nt	1.5	Indexation	145

Canton et Community				Federal	
Taxable income	15'500	Taxable wealth	150'000	Taxable income	0
	15'500		150'000		0
Rate determination		Rate determination		Rate determination	

Calculer | Initialiser

Taxes - Canton	
Taxes on income	402.95
- deductions	0
- deductions for children	0
Total	402.95
Wealth Tax	285
Total Canton	**687.95**

Impôt – Community	
Taxes on income	631.1
- deductions	0
Total	631.1
Wealth Tax	427.5
Total Commune	**1'058.60**

Impôt - Federal	
Taxes on income	0
- deductions for children	0
Total	0

Total taxes	
a) on the income	1'034.05
b) on the wealth	712.5
Total taxes	**1'746.55**

Please refer to your Swiss tax advisor for final and official tax figures. Taxes will progress the more income is generated and if value of property is higher.

Use following link to calculate tax amounts: https://apps.vs.ch/SCC_Calculette/

Example II:

Direct federal tax on income (for 2017)

I - Single taxpayers

Taxable income (CHF*)		Tax on column 1 (CHF)	Percentage on excess (%)
Over	Not over		
0	14,500	-	-
14,500	31,600	-	0.77
31,600	41,400	131.65	0.88
41,400	55,200	217.90	2.64
55,200	72,500	582.20	2.97
72,500	78,100	1,096.00	5.94
78,100	103,600	1,428.60	6.60
103,600	134,600	3,111.60	8.80
134,600	176,000	5,839.60	11.00
176,000	755,200	10,393.60	13.20
755,200		86,848.00	11.50

* Swiss francs

For taxable income above CHF 755,200 the overall tax rate will be 11.5%.

II - Married taxpayers and single taxpayers with minor children

Taxable income (CHF)		Tax on column 1 (CHF)	Percentage on excess (%)
Over	Not over		
0	28,300	-	-
28,300	50,900	-	1
50,900	58,400	226	2
58,400	75,300	376	3
75,300	90,300	883	4
90,300	103,400	1,483	5
103,400	114,700	2,138	6
114,700	124,200	2,816	7
124,200	131,700	3,481	8
131,700	137,300	4,081	9
137,300	141,200	4,585	10
141,200	143,100	4,975	11
143,100	145,000	5,184	12
145,000	895,900	5,412	13
895,900		103,040	11.5

http://taxsummaries.pwc.com/ID/Switzerland-Individual-Taxes-on-personal-income

Example III:
Direct line of descent – 0% tax (i.e. father to son and vice versa. Grandfather to grandchild and vice versa)
Siblings and their children to the 4th degree– 10%
Uncles and cousins (first degree) 15%
Great aunts and uncles – 20%

Appendix A:

- The standard rate is applicable after the holding period of four to five years. The top burden usually ranges from 25% to 50%.

- Tax is gradually reduced after exceeding the four to five years of ownership. The maximum relief allowed is 50% to 70% of the payable tax.
- A surcharge of up to 50% of the normal tax may be imposed on short term gains i.e. properties sold within the first four or five years.[1]

[1] http://www.globalpropertyguide.com/Europe/Switzerland/Taxes-and-Costs