

Revised Expatriate Ordinance for Individuals



On 16 January 2015, the Swiss Federal Department of Finance published the revised wording of the federal expatriate ordinance which became effective on federal level on 1 January 2016. Generally, the competent cantonal tax authorities have adapted their assessment guidelines on municipal and cantonal level accordingly. The definition of an expatriate will be narrower and the tax deductible deductions expatriates can claim will be restricted.

The revised expatriate ordinance defines the term «expatriate» as well as the tax deductible professional expenses more precisely. Employees who currently qualify as expatriates under the old expat ordinance will maintain their status

until the end of their limited assignment. However, after 1 January 2016 special professional expenses of expatriates are only tax deductible if they are in line with the new revised expatriate ordinance.

Who qualifies as an expatriate?

In order to qualify as an expatriate under the revised expatriate ordinance, an employee must either be a senior executive or a specialist with special professional qualifications who is assigned to Switzerland by his foreign employer for a limited period of up to five years.

The revised expatriate ordinance also enables executives or specialists with a local Swiss employment contract (local-to-local) to qualify as an expatriate provided

the following criteria are cumulatively met:

1. The local Swiss employment contract is limited up to 5 years.
2. The foreign employer guarantees a reemployment of the employee after the secondment to Switzerland.
3. The transfer of the employee is within the same group.

What expenses are tax deductible?

The new wording with respect to tax deductible costs has not changed significantly. However, a more specific description of what will be considered as special professional expenses is provided. In summary, deductible expenses for expatriates as of 1 January 2016 will be the following:

Housing Costs

Double housing costs remain generally tax deductible. However, the new wording of the ordinance allows a deduction for double housing costs only in case the previous primary residence in the home country is kept permanently available for the expatriate's personal use. This will be no longer the case if the property is rented out during the assignment. The applicable maximum deduction related to double housing costs may vary on cantonal level.

Moving Costs

With regards to the deductibility of moving costs, a more restrictive approach will be taken. According to the revised ordinance, moving costs will only be tax deductible if they are incurred in direct connection with the relocation (e.g. transportation costs of furniture.)

Education Costs for Children

International school fees will only qualify as tax deductible expenses in case there is no public education available in the child's mother tongue. Costs for accommodation, transportation, books and sport events are not tax deductible.

Lump-sum deduction for travelling, moving and housing costs

Based on the revised expatriate ordinance, individuals qualifying as expatriates only have the possibility to declare the lump-sum tax deduction of CHF 1'500 instead of the effective costs incurred in case they are entitled to claim double housing costs. Otherwise the lump-sum deduction is not applicable.

Non-Swiss resident expats

Employees who qualify as expatriates but remain resident in a foreign country (e.g.

international weekly commuter) are not entitled to deduct school fees or moving costs. However, incurred necessary commuting costs for trips between their residence abroad and Switzerland are considered as special professional expenses and are therefore generally tax deductible.

Implications on cantonal level

Since the Swiss Federal Department of Finance has revised the expatriate ordinance, the competent cantonal tax authorities generally adjusted their assessment guidelines on municipal and cantonal level accordingly. However, there are still differences in practices between the Swiss cantons, notably regarding the tax deductible housing and moving costs.

How can Grant Thornton help?

The set-up of secondments and an exact and precise wording of the employment contracts is even more important due to the revised expatriate ordinance. A profound understanding of its impacts is crucial for the global mobility business in order to stay compliant from a Swiss legal and tax perspective and to profit from possible tax deductions.

Existing secondment policies should be reviewed in order to assure that they comply with the new expatriate ordinance.

A large part of tax planning involves a good structuring of employment arrangements. The tax team of Grant Thornton Advisory AG can assist with a review of your secondment policies or further advice on how the revised expatriate ordinance may affect your business.

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