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Geneva – Final Vote on The Lump Sum Taxation

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After having refused the abolition of the Swiss lump sum tax regime (the favorable alternative tax system for HNWI resident in Switzerland) in November 2015, Geneva held on June 5, 2016, with a positive outcome, the final referendum on the cantonal parameters of its lump sum taxation. The Geneva voters accepted the new law by 53.97%.

The Geneva voters adopted the following new parameters of the lump sum tax regime set by the Geneva Government which partly implement the provisions of the federal tax act.

Individuals residing in the canton of Geneva may opt for the lump sum tax regime if they i) are not Swiss national, and ii) are subject to Swiss unlimited tax liability for the first time or after an absence of 10 years, and iii) do not carry out a lucrative activity in Switzerland. If the latter conditions are fulfilled, the taxpayer will pay taxes based on the annual expenses of the family living in Switzerland, and not on the actual worldwide income and wealth. The minimum level of expenses is the highest of either CHF 400’000, or seven times the taxpayer’s annual effective rent or rental value of the real estate he uses as private residence. Moreover, the amount of the taxpayer’s expenses will be increased by 10% in order to take into account the wealth tax, which was the most debated issue among politicians.Consequently, the taxable income will amount to the annual expenses increased by 10%, which would be therefore considered as the taxable basis subject to the ordinary income tax rates.The new law enters into effect retroactively on January 1st, 2016. A grandfathering clause provides that those who were already subject to the old regime on December 31, 2015 will continue to benefit from it up to and including 2020.For additional questions, please contact Aliasghar Kanani or Thierry Boitelle, Tax Partners, Geneva.