Schwyz Pfäffikon SZ Heaquarters Schwyz
Brig Zug Altdorf Zurich Bahnhofstrasse 28, P.O. box 556
Bucharest Timisoara CH-6431 Schwyz
Sibiu Sofia Tel +41 (0)41 819 54 00
info@mattig.ch, www.mattig.swiss

Status: 1 March 2014

Mattig-Suter und Partner Schwyz **Treuhand- und Revisionsgesellschaft**

Taking up residence in Switzerland

What new residents need to know and what must be taken into account in the planning process

by Willy Huber, Dr. oec. HSG, Lawyer and Notary public, member of the Executive Board

Disclaimer

Introduction

Foreign nationals or non-Swiss nationals who move to Switzerland from abroad and want to take up residence here are moving to a country with a unique history, tradition, culture and social and legal system. Foreign nationals will only feel at home in this small Western European state if they accept its idiosyncrasies and basic values and are able to, and indeed wish to, identify with them to a greater or lesser extent. This also includes the willingness to be subject to the Swiss legal system and its idiosyncrasies.

Moving to Switzerland needs to be considered carefully and must be prepared, planned, organised and carried out with attention to detail. Otherwise you could face unpleasant surprises, disappointments and problems, and could especially come into conflict with Swiss laws. Anyone intending to move to Switzerland should study those requirements and regulations of Swiss law which are important to him and this should be done **well before as well as during and after moving to Switzerland**. This fact sheet gives foreign nationals moving to Switzerland information about important legal aspects and problems. Due to the limited space available, the information provided can only be of a general nature and foreign nationals interested in moving to Switzerland will also need to seek individual advice well beforehand from specialists.

In this fact sheet, the use of «he» for the foreign national refers, of course, to both sexes.

1. Requirement for settlement and residence permit for Switzerland

Anyone who wants to take up residence in Switzerland requires a residence or settlement permit from the local authority responsible for issuing such permits. The regulations are very extensive and complex. A decision to issue a permit is dependent on factors such as

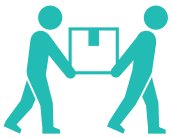
a) **Nationality** of the person who would like to take up residence in Switzerland. Switzerland has concluded international agreements regarding the free movement of people with the European Union (EU) and the European Free Trade Association (EFTA). These make it easy for nationals from EU and EFTA countries to move to Switzerland. For third-country nationals, that is those from countries other than EU and EFTA countries, very strict Swiss legal provisions apply.

b) **Age** of the foreign national wishing to move to Switzerland. A permit is easier to obtain for foreign nationals who have reached a certain age (usually over the age of 55).

c) **Nature of employment** of foreign national abroad and/or in Switzerland following the move to Switzerland. For pensioners and those who are not gainfully employed at all or not gainfully employed in Switzerland, there is a simplified authorisation process.

d) **Financial situation** of new foreign resident. In certain cases, the authorisation of a permit will depend on the applicant's financial situation, especially on whether they are able to support themselves without difficulty.

e) **Any previous connections to Switzerland**. In certain cases factors like earlier residence in Switzerland and the existence of relatives in Switzerland will be taken into consideration.



2. Customs duty and Value Added Tax on imported household effects and vehicles

Those moving to Switzerland to take up residence can import used and personal household effects (home furnishings, personal items, etc.) into Switzerland without having to pay customs duty and VAT. However, customs formalities will have to be dealt with.

The exemption from customs duty and VAT also applies to vehicles for personal use as long as the imported vehicle is more than 6 months old. Otherwise customs duties will have to be paid on the vehicle and the Swiss VAT rate of 8 % will apply.

3. Registration of imported vehicles and recognition of foreign driving licences

Imported vehicles must be registered with the road traffic authorities of the canton of residence within one year of taking up residence.

The foreign driving licence is valid for the first 12 months of residence in Switzerland and must then be exchanged for a Swiss driving licence. The holder of a valid driving licence does not need to take a full driving test again in Switzerland but has to prove fitness to drive and knowledge of the rules of the road in a test drive.

4. Income and wealth tax situation (direct taxes)

Switzerland levies income and wealth tax from all residents at three levels (federation, canton and commune).

Foreign nationals wishing to move to Switzerland will have to carefully research their tax situation and take appropriate action both before and after their move:

- Wealthy foreign nationals who will not be engaged in gainful employment in Switzerland and who are taking up residence for the first time or after at least ten years of absence should consider applying for the flat-rate tax privilege.

- Foreign nationals from a country where residents are taxed according to the nationality principle (i. e. independent of place of residence) will still have to pay the taxes of their home country when they have moved to Switzerland. This applies to US citizens, for example. In such cases, it is important to avoid double taxation by the home country and the new country of residence.

- Some countries (e.g. Germany) subject people who move away to a special tax on and after departure. Tax issues therefore need to be carefully addressed and planned for, both in the country you are moving from as well as in Switzerland, the country you are moving to, so that problems with the tax authorities and double taxation can be avoided.

- People who keep assets abroad after moving to Switzerland (e.g. in the form of property, financial and business assets) will have to take care of tax issues both abroad or in the country they are moving from as well as in Switzerland to avoid undesirable tax consequences and double taxation.

5. National social security

Switzerland has a national social security system which also applies to foreign nationals moving to Switzerland. Basically, both those in employment and those not in employment are required to pay contributions to state compulsory social security (Old Age and Survivors Insurance, AHV). Liability to pay contributions for those in employment persists throughout the entire duration of employment in Switzerland. Those not in employment are liable to pay AHV contributions based on their personal assets until they reach the normal retirement age (for men on reaching their 65th birthday, for women on reaching their 64th birthday). For those not in employment with substantial personal assets, the maximum contribution is CHF 23,750 per year. In the case of a married couple, both spouses are liable to pay AHV contributions, with the result that the burden of contributions for a married couple not in employment can be massive.

Just as with the tax situation, there can also be problems and conflicts with the social insurance system of Switzerland and that of the country the foreign national is moving from or the foreign country in which the new Swiss resident continues to be employed. Foreign nationals moving to Switzerland are therefore also urgently advised to seek specialist advice on their individual social insurance situation.

6. Private insurance

In view of your new life situation, you should check all your insurance policies thoroughly and adapt them to the new situation.

There are two main groups of insurance:
a) compulsory, i. e. statutory insurance cover
b) facultative, i. e. voluntary insurance cover

The following insurance cover is **compulsory** or statutory:

1. Health insurance
Everybody who lives in Switzerland must insure themselves against illness to the minimum level prescribed by law. The basic insurance covers health-care costs incurred by doctors' visits and hospital stays, including the costs of medication, lab tests, etc. Foreign nationals moving to Switzerland must show proof of insurance to their local municipality within three months of their arrival. The insurance can be with a Swiss health insurance provider or a recognised international insurance provider. In certain circumstances, the insurance obligation can also be in the form of adequate health insurance cover from a foreign insurance company in the foreign national's homeland or country of origin.

2. Accident insurance
It is compulsory for every employer in Switzerland to insure their employees against accidents, that is against accidents at work and occupational diseases as well as non-work-related accidents. Accident insurance is voluntary for all other people (self-employed and non-employed people).

3. Vehicle insurance
Third-party liability insurance is compulsory for every car registered and operating in Switzerland and this is checked by the road traffic authorities.

4. Building insurance
In Switzerland, every building must be insured against fire and natural hazards.

The following insurance is **voluntary**, but must be investigated according to your particular life situation and requirements regarding cover:

1. Liability insurance (personal liability, plant owners or building liability)

2. Home contents and valuables insurance

3. Income protection insurance

4. Supplementary health insurance (because the compulsory health insurance is basic insurance and only gives minimum cover)

5. Voluntary old-age or private pension provision (life insurance, Pillar 3a, etc.)

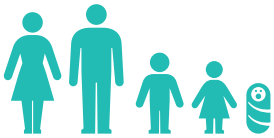
6. Any other voluntary insurance

7. Matrimonial property regime in the case of married couples

In most countries, married couples are subject to a legally regulated law of property for married people. In Switzerland this is called the matrimonial property regime. This regulates what belongs to which spouse and how marital property settlement is handled when the marriage is dissolved through the death of a spouse or divorce.

Individual countries have totally different state regulations according to their legal systems and cultural backgrounds. Married foreign nationals moving to Switzerland should therefore find out which matrimonial property regime applies to them or is supposed to apply to them after moving: that of their home country, (still) that of their former country of residence or (new) that of Switzerland as their new country of residence. Married couples living in Switzerland are basically subject to the Swiss matrimonial property regime. According to the rules of international private law, foreign nationals residing in Switzerland can choose which legal system they wish to be subject to with regard to matrimonial property law, e.g. they can be subject to the legal system of their home country.

Married couples who are subject to the Swiss matrimonial property regime after moving to Switzerland can arrange their financial assets relatively freely to suit their own needs in the form of a marriage contract.



8. Inheritance law

What inheritance law applies after moving to Switzerland? Who is to inherit from a deceased foreign national who moved to Switzerland and to what extent? How would the foreign national moving to Switzerland like to have his inheritance rights regulated? Do the statutory rights of inheritance of the foreign home country or former country of residence continue to apply despite moving to Switzerland or does Swiss inheritance law apply as Switzerland is the foreign national's new country of residence? How are assets abroad bequeathed in inheritance cases? Should the inheritance law of the home country apply or does Swiss inheritance law apply?

As is the case with matrimonial property law, we would like to remind you that the same applies to inheritance law – every country throughout the world has totally different legal provisions.

The following must be taken into account when planning for succession and inheritance:

a) the inheritance law of the country moved away from

b) the inheritance law of Switzerland as the new country of residence

c) the inheritance law of third countries where the foreign national owns property, because the legal system of the third country is also affected and involved

d) the inheritance law of third countries in which the foreign national has moveable assets, business investments, etc., because the legal system of the third country is also affected and involved in cases of inheritance.

Swiss inheritance law basically applies to people living in Switzerland. According to the rules of international private law, foreign nationals living in Switzerland can choose which legal system they wish to apply to an inheritance case, e.g. they can be subject to the law of their home country.

9. Inheritance and gift tax

For foreign nationals whose basic property and moveable assets are located abroad, i. e. in the country they have moved from or a third country, the inheritance law of the country in which the property or moveable assets (e.g. business investments) are located or invested, is to be taken into consideration. So in certain circumstances, there may be several (inheritance) laws which need to be taken into account for succession and inheritance planning.
People who are subject to Swiss inheritance law after moving to Switzerland can (and indeed should!) rearrange their inheritance situation by making a new will or testamentary contract according to their needs. When doing so, they should take full advantage of the various courses of action and considerable scope available.

Inheritance taxes are closely linked to inheritance law (cf. point 8): high inheritance taxes are sometimes levied in many countries. The problem is currently becoming increasingly critical as many countries are seeking to tap new sources of income due to the international debt crisis. An inheritance is sometimes subject to a tax burden of 40 – 50 % or even higher depending on the country concerned! There is (currently) no inheritance tax at federal level in Switzerland. Inheritance taxes vary widely in the 26 Swiss cantons according to their own regulations. However, bequests to spouses and direct descendents are free of inheritance tax or at least enjoy generous relief in most cantons. The canton of Schwyz levies no inheritance tax at all.

When foreign nationals move to Switzerland, the inheritance tax situation changes radically. Despite moving from a country with a (high) rate of inheritance tax, the problem in the former country of residence does not automatically disappear. There are some countries which do not link inheritance tax to the country of residence of the deceased (= residence principle), but to the nationality of the deceased (= nationality principle). This applies to the USA for example. Efforts are currently underway in other countries (e.g. France) to link the inheritance tax to the nationality of the deceased so that these countries can gain tax revenue when one of their citizens leaves his home country, takes up residence outside his home country and dies there. Germany has a special inheritance tax regime for German nationals who left their home country but did not live in the foreign country long enough. Regardless of nationality and residence, inheritance taxes can also apply to bequests in third countries in which the deceased owned and left behind property, moveable assets (especially business assets or business investments). In many countries gift tax is closely related to inheritance tax: numerous countries not only levy taxes on inheritance settlements (that is the transfer of assets on death), but also on gifts which someone makes during his lifetime.

Some countries do not link inheritance and gift taxation to (just) the residence or the nationality of the deceased but (also) to the nationality and/or residence of the beneficiary or gift recipient. These are referred to as succession taxes on inheritance and gifts.

Cases of inheritance can therefore lead to severe inheritance tax problems in many countries (in the worst case to tax conflicts and double taxation). To avoid double taxation, Switzerland has concluded double taxation agreements with many countries concerning inheritance taxes (often including gift taxes).

To spare the beneficiary any «nasty surprises», foreign nationals moving to Switzerland should not only carry out tax planning with regard to direct taxes (income and wealth tax), but also with regard to inheritance and gift taxes. The following aspects should be included in tax planning:

a) the inheritance and gift tax law of the former country of residence

b) the inheritance tax and gift tax law of Switzerland and/or the canton in which the foreign national has taken up residence

c) the inheritance and gift tax law of the home country of foreign nationals whose home country levies tax on bequests and gifts depending on the nationality of the deceased or gift giver (nationality principle)

d) the inheritance and gift tax law of third countries in which the foreign national owns property or moveable assets, especially business investments

e) the inheritance and gift tax law of third countries in which subsequent beneficiaries or gift recipients are resident.

10. Property rent and purchase

There is no restriction on property rental in Switzerland by foreign nationals, in other words no state or official approval is required. Swiss rental law applies to the civil law aspect, i. e. the tenancy agreement.

The purchase of property in Switzerland by foreign nationals who do not have Swiss citizenship can be subject to restrictions depending on the nationality of the foreign national:

- Nationals of EU or EFTA countries who are resident in Switzerland can acquire property in Switzerland just like Swiss citizens without any restrictions.

- Citizens of countries other than EU and EFTA countries (third countries), who live in Switzerland on the basis of a temporary residence permit, can only acquire an apartment or house without authorisation if it is for their own use. The acquisition of other property requires authorisation in accordance with «The Federal Law on the Acquisition of Real Estate by Non-Residents» (the so-called «Lex Friedrich»).

- Citizens of countries other than EU and EFTA countries (third countries) who live in Switzerland on the basis of an unlimited residence permit can acquire property in Switzerland like Swiss citizens without restriction.

Mattig-Suter und Partner Schwyz **Treuhand- und Revisionsgesellschaft**

Switzerland

Headquarters Schwyz
Bahnhofstrasse 28, P.O. box 556
CH-6431 Schwyz, Tel +41 (0)41 819 54 00, schwyz@mattig.ch

Office Oberer Zürichsee
CH-8808 Pfäffikon SZ, Tel +41 (0)55 415 54 00, zuerichsee@mattig.ch

Office Wallis
CH-3900 Brig, Tel +41 (0)27 922 12 00, wallis@mattig.ch

Office Uri
CH-6460 Altdorf, Tel +41 (0)41 875 64 00, uri@mattig.ch

Office Zug
Treuhand- und Revisionsgesellschaft Mattig-Suter und Partner, Zug AG
CH-6302 Zug, Tel +41 (0)41 818 02 00, zug@mattig.ch

Office Zurich
Kuhn Treuhand AG, eine Tochtergesellschaft der Mattig-Suter und Partner
CH-8002 Zurich, Tel +41 (0)44 422 38 00, info@kuhn-treuhand.ch

www.mattig.swiss

blog.mattig.swiss
informative, interesting, current, competent

Eastern Europe

Romania
Mattig Swiss Audit S.R.L.
Mattig Expert Swiss Partners S.R.L.
RO-300124 Timisoara, Tel +40 (0)356 100 660, www.mattig-tm.ro

Mattig Accounting & Controlling RO S.R.L.
RO-011055 Bucharest, Tel +40 (0)21 318 55 11, www.mattig-accounting.ro

Mattig Expert Sibiu S.R.L.
RO-550370 Sibiu, Tel +40 (0)771 431 395, www.mattig-tm.ro

Bulgaria
Mattig Accounting & Controlling OOD
BG-1000 Sofia, Tel +359 (0)2 988 50 85, www.mattig-accounting.bg

Mattig Group

Retraco AG Schwyz **Wirtschaftsprüfung**

CH-6431 Schwyz, Tel +41 (0)41 819 54 80, info@retraco.ch

swa Swiss Auditors

SWA Swiss Auditors AG

CH-8808 Pfäffikon SZ, Tel +41 (0)55 415 54 70, info@swa-audit.com

www.swa-audit.ch

ANMAT **ImmoTreuhand AG**

Headquarters
CH-6403 Küssnacht, Tel +41 (0)41 819 80 40, info@anmat.ch

Office Oberer Zürichsee
CH-8808 Pfäffikon SZ, Tel +41 (0)55 415 54 90

www.anmat.ch

Partner

Mattig **Management Partners**

Headquarters
CH-6431 Schwyz, Tel +41 (0)41 819 54 60, info@mattig-management.ch

Offices
Pfäffikon SZ, Switzerland; Bucharest and Timisoara, Romania; Sofia, Bulgaria; Vienna, Austria; Bratislava, Slovakia; Tirana, Albania

www.mattig-management.ch

Living with change

With 100 staff members throughout Europe (more than 80 of whom work in Switzerland), the Treuhand- und Revisionsgesellschaft Mattig-Suter und Partner is one of the most renowned trust and auditing companies in central Switzerland.

We have been living with change for over 50 years to meet the needs of our clients and ensure their success.

We are active in the fields of finance and accounting, auditing, business consulting, tax consulting and legal consulting.

Mattig-Suter und Partner Schwyz

Treuhand- und Revisionsgesellschaft

Schwyz Pfäffikon SZ
Brig Zug Altdorf Zurich
Bucharest Timisoara
Sibiu Sofia

Headquarters Schwyz
Bahnhofstrasse 28, P.O. box 556
CH-6431 Schwyz
Tel +41 (0)41 819 54 00
info@mattig.ch, www.mattig.swiss

Member of EXPERTsuisse

SWISS EXCELLENCE FORUM

GGi INDEPENDENT MEMBER

07/2018