



# TAKING UP RESIDENCE IN SWITZERLAND

WHAT NEW RESIDENTS NEED  
TO KNOW AND WHAT MUST BE  
TAKEN INTO ACCOUNT IN THE  
PLANNING PROCESS



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## INTRODUCTION

Foreign nationals or non-Swiss nationals who move to Switzerland from abroad and wish to take up residence here are entering a country with its own history, tradition, culture and social and legal order. In the long term, only those who can identify with the characteristics and basic values of Switzerland will feel at home here. This also includes the willingness to submit to the Swiss legal system with its peculiarities.

Moving to Switzerland needs to be considered carefully and must be prepared, planned, organised and carried out with attention to detail. Before, during and after moving to Switzerland, every newcomer should familiarize himself with the requirements and regulations of Swiss law that are important to him.

This factsheet points out important legal aspects and problems when immigrating to Switzerland. The information is kept general. It cannot and is not intended to be a substitute for expert advice on individual cases. Terms such as «immigrant» and other personal terms used in this fact sheet refer to both genders.

## 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. Obtaining such a permit depends on the following factors, among others:

- 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. Newly arriving UK nationals are considered third-country nationals as of January 1, 2021.
- 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. Anyone wishing to work in Switzerland for a longer period (more than 3 months) requires a residence permit. This also serves as a work permit. EU and EFTA citizens must register with their future municipality of residence within 14 days of entering the country and before taking up employment. For this purpose, they must present a valid passport, a valid employment contract and, as a rule, a valid rental contract.
- d. Financial situation of new foreign resident. Anyone who is able to support himself without any problems and has a certain amount of wealth assets may submit an application for a residence without employment.
- 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.

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## 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 will apply.

## 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.

## 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. This also involves avoiding double taxation by the home state and the new state 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.

## NATIONAL SOCIAL SECURITY

Switzerland has a national social security system which also applies to foreign nationals moving to Switzerland. 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 and for women on reaching their 65th birthday).

For those not in employment with substantial personal assets, the maximum contribution is CHF 25 700 per year (depending on the level of assets, as of 2023). 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 turn out considerably.

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.



## TAKING UP RESIDENCE IN SWITZERLAND

### 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:

#### HEALTH INSURANCE

According to the Health Insurance Act (KVG), every person living in Switzerland must insure themselves against illness to the minimum extent required by law. The basic insurance covers healthcare 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.

#### 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).

#### 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.

#### 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:

#### LIABILITY INSURANCE

personal liability, plant owners or building liability

#### HOME CONTENTS AND VALUABLES INSURANCE

#### INCOME PROTECTION INSURANCE

#### SUPPLEMENTARY HEALTH INSURANCE

because the compulsory health insurance is basic insurance and only gives minimum cover

#### VOLUNTARY OLD-AGE OR PRIVATE PENSION PROVISION

life insurance, Pillar 3a, etc.

#### ANY OTHER VOLUNTARY INSURANCE

### 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 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, retroactively to the



date of the marriage. 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.

## INHERITANCE LAW

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 very 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 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.

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.

The current European Succession Regulation governs cross-border estate planning and harmonizes the rules on jurisdiction, applicable law and the recognition of foreign public documents and decisions in inheritance matters within the EU. Each EU member state continues to regulate the substantive issues of «its» inheritance law (such as inheritance and compulsory portions) itself. Even if an immigrant subjects his inheritance law to Swiss law as far as possible, the EU Inheritance Regulation may still be relevant for him, e.g. if he continues to reside regularly in his home country and/or holds assets there (real estate, bank accounts, etc.).

## INHERITANCE AND GIFT TAX

Inheritance taxes are closely linked to inheritance law: Many countries levy inheritance taxes, some of which are high, up to 40-50% or even higher depending on the country. In Switzerland, there is (currently) no inheritance tax at the federal level. The 26 Swiss cantons levy inheritance taxes to very different extents, each according to its own regulations. In most cantons, however, inheritances to spouses and direct descendants are exempt from inheritance tax or are heavily relieved. The canton of Schwyz has no inheritance tax at all.

When foreign nationals move to Switzerland, the inheritance tax situation changes radically. However, leaving a country with (high) inheritance tax does not mean that only any inheritance tax due in Switzerland will apply. Some countries, such as the USA, do not link inheritance tax to the domicile of the deceased (= domicile principle), but to the nationality of the deceased (= nationality principle). Irrespective of nationality and domicile, inheritance taxes may also be due in third countries in which the testator owned and bequeathed real property, movable assets (in particular business assets or business interests). Gift taxes are often closely linked to inheritance taxes in many countries: many countries tax not only inheritances (i.e. transfers of assets upon death), but also gifts made during a person's lifetime.



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 link inheritance and gift taxation not (only) to the domicile or nationality of the testator or donor, but (also) to the nationality and/or domicile of the heirs or donees. In this context, we speak of inheritance and gift taxes.

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 «unpleasant 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.

## PROPERTY RENT AND PURCHASE

The conclusion of a rental contract for residential or commercial premises in Switzerland is not legally restricted for an immigrant, i.e. no official permit is required for this. In the case of residential premises, however, the landlord will generally require a valid residence permit from the tenant. The provisions of Swiss tenancy law apply to the tenancy agreement.

Anyone wishing to acquire real estate when moving to Switzerland must comply with the «Federal Law on the Acquisition of Real Estate by Persons Abroad» (so-called «Lex Koller» or also «Lex Friedrich»). According to this law, it is examined ex officio whether such an acquisition requires a permit. In principle, all types of acquisition of real estate are subject to approval if the foreign national as the acquiring party has not yet established a domicile in Switzerland. Such an acquisition is only approved in a few exceptions. As a rule, the acquisition of real estate by persons whose home country is not a member of the EU also requires a permit.

In order for an EU citizen to be able to acquire real estate in Switzerland without a permit, he must first transfer his residence to Switzerland. If the move to Switzerland and the acquisition of real estate are to take place at the same time, it is necessary to contact the competent cantonal authority so that the necessary decrees for such an acquisition are available at the time of purchase.



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