Lump-sum taxation

1 Brief Summary

Expenditure-based taxation, also reffered to as lump-sum taxation, is a simplified assessment procedure for foreign nationals who are domiciled in Switzerland but are not gainfully employed here. Lump-sum taxation replaces ordinary income and wealth tax. Profits from the sale of a property are taxed separately according to the tax law.

This form of taxation is available to foreign nationals who make Switzerland their tax domicile for the first time or after at least ten years spent outside the country. The right to expenditure-based taxation expires when a person aquires Swiss citizenship or takes up gainful employment in Switzerland.

In the canton of Solothurn, lump-sum taxation is regulated in § 20 StG («Gesetz über die Staats- und Gemeindesteuern vom 1. Dezember 1985», BGS 614.11) and in Tax Ordinance No. 18 («Steuerverordnung Nr. 18: Besteuerung nach dem Aufwand vom 31. August 2015», BGS 614.159.18).

2 Tax calculation

Persons paying lump-sum taxes must submit an annual tax return in the same way as ordinarily taxed persons and declare the living costs for themselves and their dependents. The income tax is calculated on the basis of the total annual cost of living. These relevant living costs include all expenses in Switzerland and abroad in particular for food, accommodation, clothing, education, entertainment, pleasure, sport and travel, animal husbandry, the maintenance and use of cars, yachts and aeroplanes and the wages for staff etc. However, for persons with their own household, the relevant living costs amount to at least seven times the amount of their annual rent or imputed rental value and for other persons subject to taxation at least three times the amount of their annual pension price for board and lodging at the place of residence according to § 8 StG. In any case, the relevant living costs amount to not less than CHF 400,000. The income tax is calculated in accordance with statutory income tax tariffs.

The wealth tax is based on a taxable asset equivalent to at least twenty times the relevant living costs and is calculated acording to the regular wealth tax rate.

The lump-sum tax must always be at least equal to the sum of the income and wealth taxes calculated in accordance with the ordinary tariffs from moveable and immovable assets located in Switzerland in accordance with § 20 Abs. 6 lit. a – f StG and § 2 StVO Nr. 18.

3 Procedure

Lump-sum taxation is granted on application. The application must prove that the legal requirements are met. Furthermore, it must contain a detailed description of the facts. The application can be filed as long as the official tax assement has not become final.
The application should be sent to the following address:

Steueramt des Kantons Solothurn
Herr Marcel Gehrig
Werkhofstrasse 29c
4509 Solothurn

4 Summary overview

Conditions for lump-sum taxation:

• Without Swiss citizenship,

• tax domicile in Switzerland for the first time or after at least ten years spent abroad and

• no employment in Switzerland.

Spouses must both meet those conditions.

Tax calculation:

• Basis for income tax (whatever is highest):

- Total annual living costs;
- with own household: seven times the amount of the annual rent or imputed rental value;
- others: three times the amount of the annual pension price for board and lodging at the place of residence;
- but at least CHF 400,000.

• Basis for wealth tax:

- at least twenty times the relevant living costs.

• The tax is calculated in accordance with statutary income and wealth tax rates.

• The lump-sum tax must always be at least equal to the sum of the income and wealth taxes calculated in accordance with the ordinary tariffs from moveable and immovable assets located in Switzerland (§ 20 Abs. 6 StG).