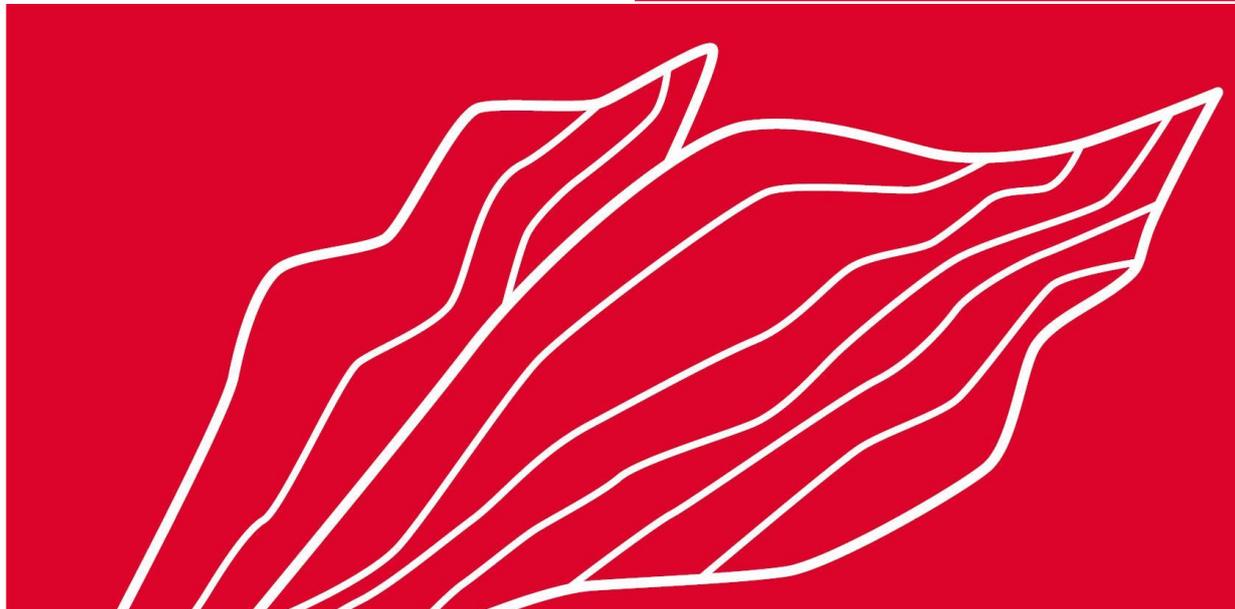




VAT

Change to the law on the
VAT liability of foreign
companies in Switzerland

Entry into force:
1.1.2018



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Tax representation in Switzerland – change to the law on the tax liability of foreign-registered companies in Switzerland

The partial revision of the Federal Act on Value Added Tax results in considerable changes for foreign-registered companies which provide services that are associated with Switzerland.

Are you:

- ➔ A company which has its registered office outside Switzerland?
- ➔ A company which is active in Switzerland, or which has Swiss clients?

If so, you need to check whether or not the change in the law that enters into force on 1 January 2018 makes you liable to value-added tax in Switzerland, meaning that you need a tax representative here.

Are you involved in any of the following?

- ➔ Provision of electronic services to private individuals in Switzerland;
- ➔ Services under a contract for work and services in Switzerland;
- ➔ Work on items in Switzerland (e.g. repairs or assembly/fitting work);
- ➔ Goods dispatch from Switzerland;
- ➔ Inventory management in Switzerland;
- ➔ Physical software implementation in Switzerland;
- ➔ Other physical work in Switzerland.

If you are involved in any of these activities, and you generate **turnover of CHF 100,000 or more world-wide**, you will now be liable for VAT in Switzerland from the first Swiss franc you earn.

Good to know:

Under certain circumstances, it may make sense to register voluntarily in the Swiss VAT Register, as this will make it easier for your clients where import and customs formalities are concerned.

Tax representation and security deposit

A foreign company requires a Swiss tax representative before it is able to register for VAT. The tax representative completes the periodic VAT return and ensures that the amount owed to the Swiss Federal Tax Administration is paid promptly. Responsibility for paying tax remains with the foreign company, however. In addition, the foreign company must pay a security deposit upon registration. This may take the form of a cash deposit or a bank guarantee from a Swiss-based bank. The deposit covers 3% of the expected taxable revenue in Switzerland (excluding exports), subject to a minimum of CHF 2,500 and a maximum of CHF 250,000.

VAT return and payment

VAT is generally settled quarterly. The VAT return must be submitted within 60 days of the end of the calendar quarter. Any tax debt must be paid within the same period. Default interest is charged if the payment is late.

Any input tax that has been incurred in Switzerland is reclaimed on the VAT return.



Invoicing

All invoices must clearly identify the service provider, the service recipient, and the nature of the service, and must generally contain the following elements:

- The name and registered office of the service provider (regular business name), and the number under which it is registered;
- The name and registered office of the service recipient (regular business name);
- The date or the period on/during which the service was provided, if this differs from the date of the invoice;
- The nature, object and scope of the service;
- The payment for the service;
- The applicable rate of tax and the VAT owed on the fee; if the fee includes tax, only the rate of tax needs to be given.

Exchange rates

Invoices may be issued in CHF or in a foreign currency. Any amounts in foreign currency must be translated into CHF for the purposes of the VAT return, however. The daily rate or average monthly rate published by the Swiss Federal Tax Administration must be used.

Our services

As described above, foreign companies require a tax representative in Switzerland in order to fulfil their administrative obligations. Caminada Trust Ltd, in Zug, will be happy to represent you in your dealings with the Swiss Federal Tax Administration. We will also be pleased to support you with:

- Establishing whether or not you are liable to tax in Switzerland;
- Online registration with the Swiss VAT Register;
- Assessing the VAT status of individual business transactions;
- The provision of monthly exchange rate lists for translation into Swiss francs;
- Quarterly VAT returns, and examining incoming and outgoing documentation for its compliance with VAT regulations;
- Preparing and supporting any VAT audit or appeal proceedings.

Would you like to know more? Do you have any questions?

Our VAT expert, Ruth Käslin, is on hand to help and looks forward to hearing from you.

Ruth Käslin

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