

Swiss VAT law changes as per 1/1/2018

December 2017

Change of VAT rate

Standard VAT rate changes from **8.0% to 7.7%**

Hotel VAT rate changes from **3.8% to 3.7%**

Reduced VAT rate **stays at 2.5%**

Change of VAT rate – when does which rate apply?

Two separate questions:

1. When is the VAT due?

VAT is due when either an **invoice is issued** or **payment has been received**, whichever happens first, i.e. needs to be reported in this period.

2. Which VAT rate applies?

The VAT rate depends on when the **supplies have actually been made**

Examples:

Invoice issued in December 2017 for delivery of goods in January 2018: VAT rate 7.7%, reported in Q4 2017 VAT return.

Invoice issued in April 2018 for service agreement November 2017 to October 2018: 2 months at 8%, 10 months at 7.7%, reported in Q2 2018 VAT return.

Combined supplies (Art. 19 II VAT law)

According to Art. 19 II VAT law, it is possible to combine two separate supplies and treat them as one, provided the main supply accounts for at least 70% of the remuneration.

Example: Hotel room with breakfast CHF 200 (at 3.7%), dinner CHF 50 (at 7.7%)

If invoiced as hotel room with half-board for CHF 250, whole CHF 250 are subject to 3.7%

2017: Art. 32 VAT ordinance does not allow 70/30 rule to determine uniform place of supply

2018: Art. 32 VAT ordinance allows application of 70/30 rule to determine uniform place of supply (and effectively change place of supply for smaller part of combined supply).

Example: Bus trip Berne-Munich CHF 60 (Swiss VAT at 7.7% due on Swiss part), concert tickets in Munich CHF 180 (no Swiss VAT, place of supply Germany).

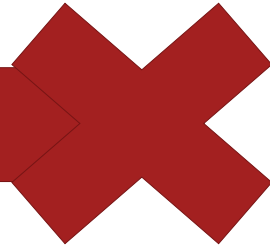
If invoiced as bus trip with concert for CHF 240 (no split of fees) no Swiss VAT due at all.

Tax liability - Turnover

Swiss Turnover of
CHF 100'000



December 2017



Until 31 December 2017

Obligation to register if taxable turnover **in Switzerland** exceeds CHF 100'000 p.a.
Only turnover which is achieved in Switzerland is relevant

Global Turnover of
CHF 100'000



January 2018



From 1 January 2018

Obligation to register if taxable turnover **globally** exceeds CHF 100'000 p.a. and **any** taxable turnover in Switzerland is achieved
CHF 1 taxable turnover in Switzerland will trigger an obligation to VAT register (if global turnover > CHF 100'000)

New obligation to VAT register

- Changes affect mostly foreign (non-Swiss and Liechtenstein) entities
- Changes are aimed at creating a level playing field for VAT purposes for Swiss and foreign entities making supplies in Switzerland

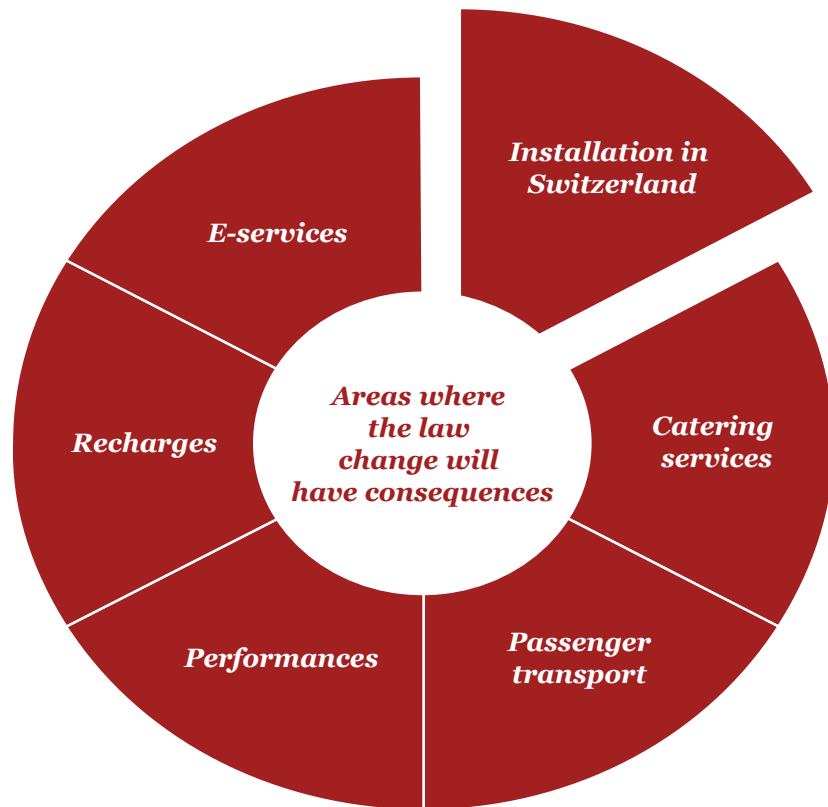
However, as a Swiss based entity, you can still be indirectly affected:

- Your suppliers may become VAT liable and start invoicing VAT to you (maybe retroactively)
- If you're a member of an international group of companies, certain set ups will create a liability for your foreign group companies to VAT register (and you may be asked to act as fiscal representative)

Likely reasons that trigger a VAT registration



Installation in Switzerland



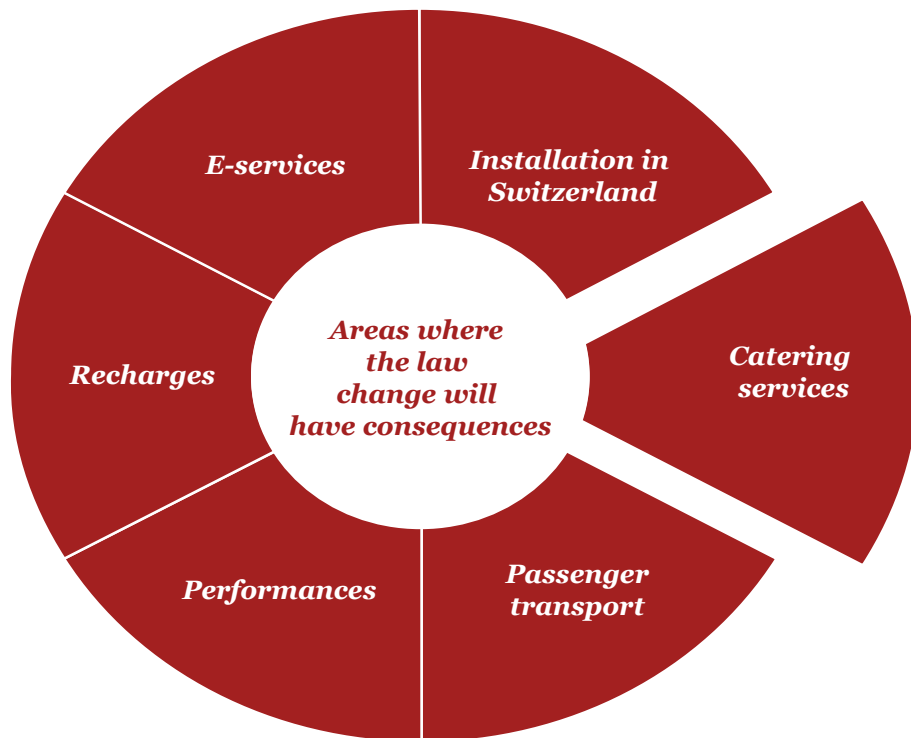
Any installation services / work on moveable goods in Switzerland will immediately trigger a VAT registration obligation, if the supplier has a global turnover of more than CHF 100'000 p.a.



Examples:

- German painter paints a flat in Basel
- Cleaning of a house in Lugano by an Italian company
- Installation of a washing machine in St. Gallen by an Austrian electrician

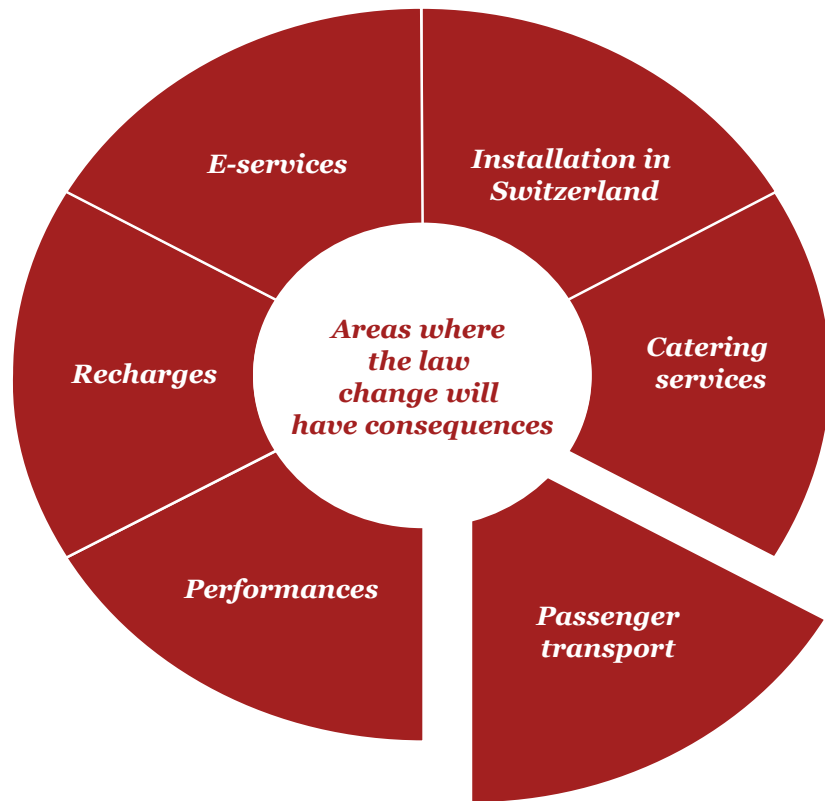
Catering services



Catering companies which provide their services in Switzerland, will be liable to register for Swiss VAT with the first CHF of turnover, if their global turnover exceeds CHF 100'000.



Passenger transport



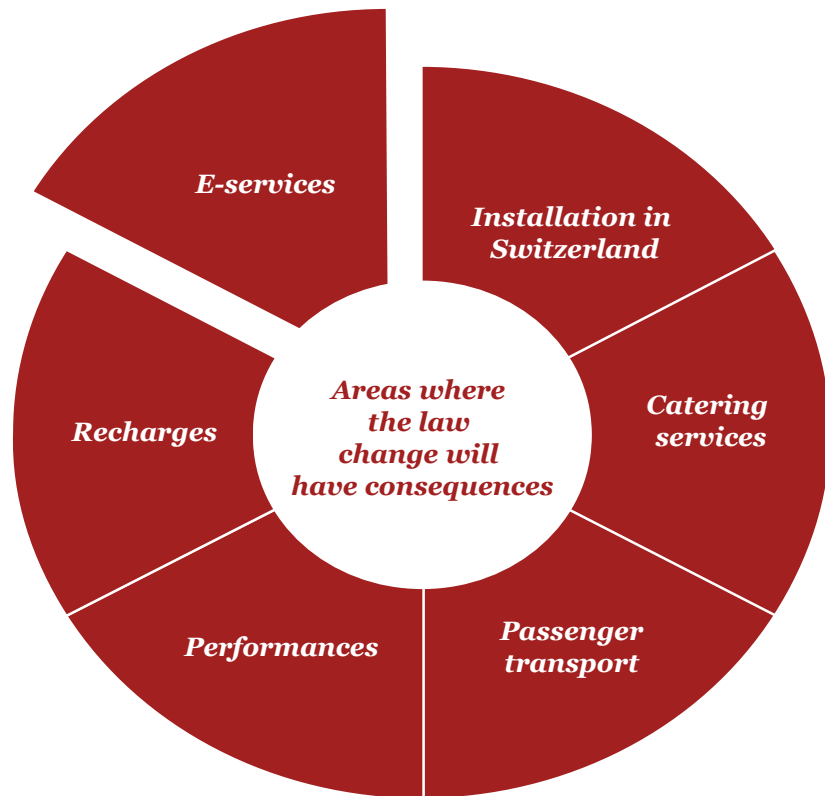
All means of transporting people apart from train and aircraft (tax-exempt) in Switzerland (including cross border) can trigger an obligation to VAT register (global turnover of CHF 100'000 may not be achieved by e.g. individual taxis)



Examples:

- Bus / coach travel into or through Switzerland
- Taxi
- Airport shuttles (to e.g. Zurich)

E-Services

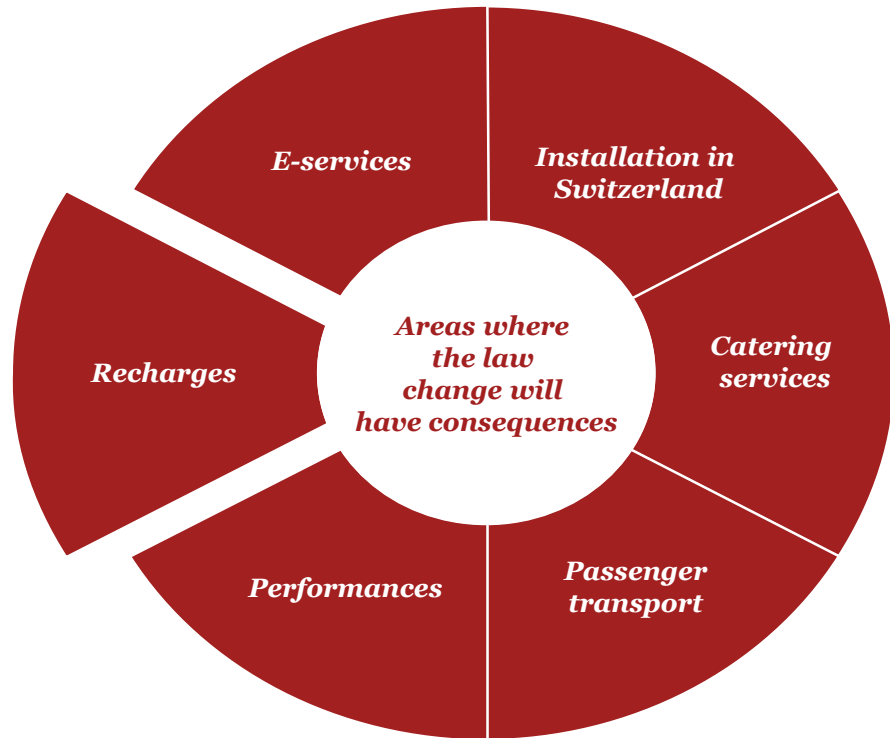


E-services provided to private individuals (or entities not registered for VAT) in Switzerland trigger an obligation to VAT register in Switzerland (if global turnover of CHF 100'000 achieved).

Examples:

- Sales of apps to private individuals
- Software downloaded by an entity in Switzerland not registered for VAT
- Online games played by private individuals

Recharges



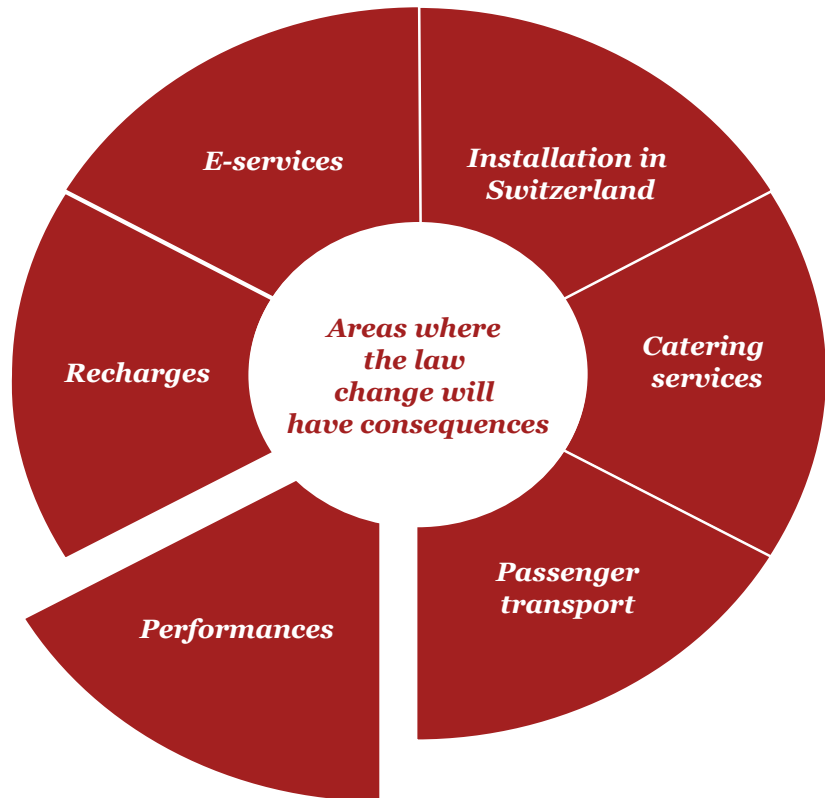
Recharges of certain costs incurred in Switzerland can trigger an obligation to VAT register (if global turnover of CHF 100'000 is achieved).

Examples:

- Recharge of space or beverages at trade fair to group companies
- Recharge of hotel room
- Resale of tickets for events

(however, if these costs are recharged as ancillary expenses to a service provided, they will not trigger an obligation to VAT register)

Performances



Athletes or sports teams performing in Switzerland and receiving prize money, expenses or appearance fees will have an obligation to VAT register in Switzerland if their global turnover exceeds CHF 100'000

Examples:

- Prize money at tennis tournament
- Refund of expenses to foreign football team coming to Switzerland for a pre-season game
- Appearance fees paid to golf player for golf tournament

Please note: Cultural services (concerts, theatres, operas, ...) are not affected as they are VAT exempt.

How to deal with Swiss VAT registrations effectively?

PwC's Smart VAT (www.pwc.ch/smartvat)

PwC's Smart VAT is an online platform that allows businesses to:

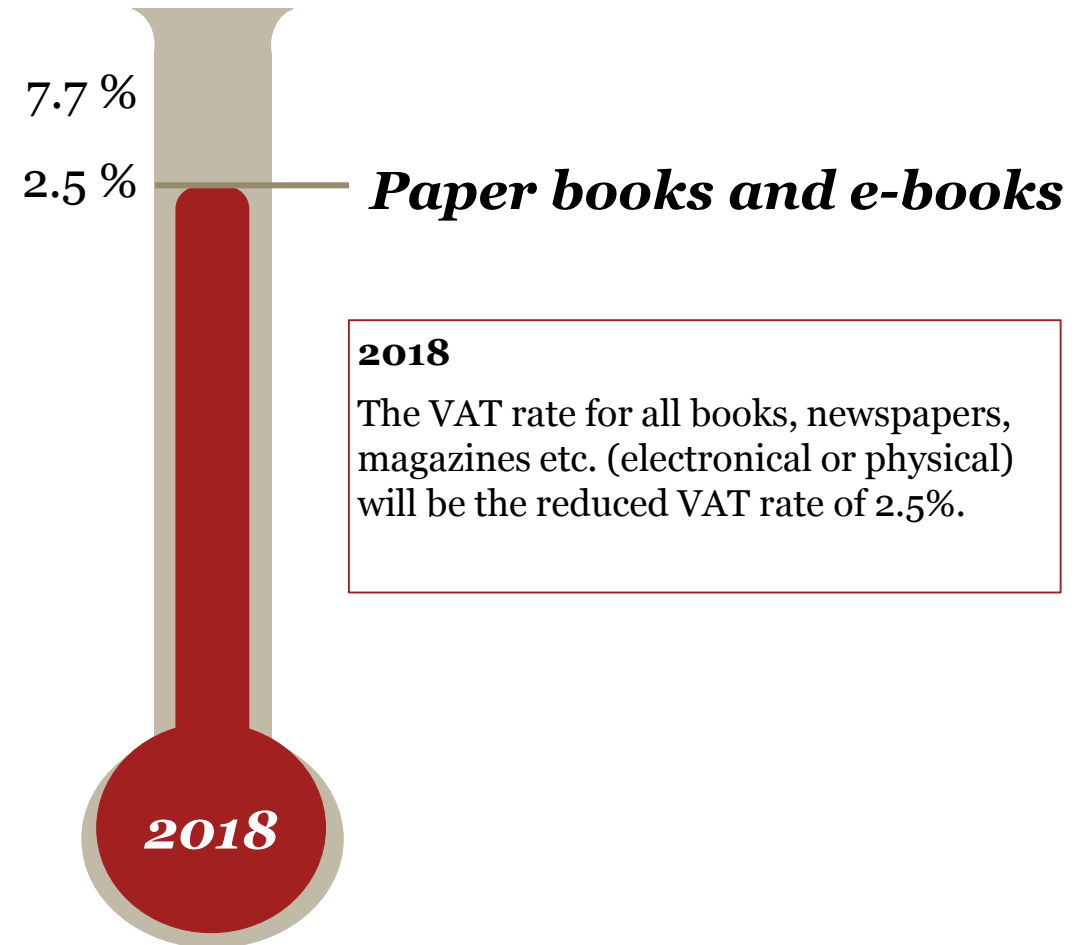
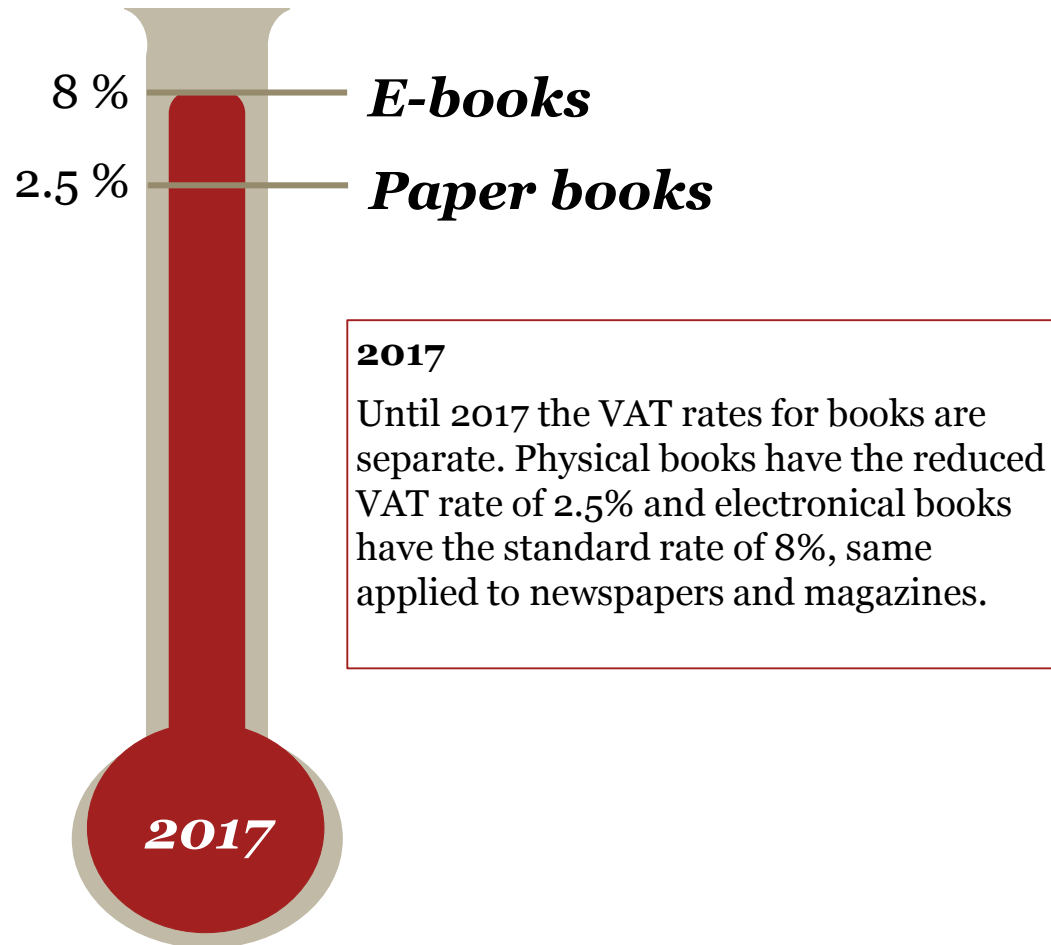
- Register for Swiss VAT and obtain a Swiss VAT number
- Appoint PwC as their fiscal representative to deal with the tax authority.
- Register for filing the quarterly Swiss VAT returns by electronic means
- Prepare quarterly VAT returns for electronic filing
- Access letters and queries from the tax authority and provide replies

Flat fee for registration (incl. e-filing) CHF 490

Flat fee for fiscal representation CHF 250 per quarter (12 month contract) / CHF 210 per quarter (18 month contract)



Reduced VAT rate for e-books



Extension of VAT exemptions

	2017	2018
AHV-bodies ← → AHV-bodies	VAT exempt	VAT exempt

Pension fund ← → Pension fund	taxable	VAT exempt
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Social security services are exempt

Supplies between social security bodies are exempt

Service of executive bodies for legally required preventive work (SUVA, BfU) are exempt

Extension of VAT exemptions for public bodies

		2017	2018
Organisational unit of public body	← → Organisational unit of same public body	VAT exempt	VAT exempt
Organisational unit of public body / public body	← → Entity exclusively held by public body	VAT exempt	VAT exempt
Public bodies	← → Entity exclusively held by same public bodies	taxable	VAT exempt
Public bodies	← → Foundation exclusively founded by same public bodies	taxable	VAT exempt

Closely related persons to which arm's length principle applies

What is a closely related person?

	2017	2018
Owners of qualifying interests (20%) in a business or persons associated with them;	YES	YES
Foundations and clubs, to which a particularly close economic, contractual or personal relationship exists	NO	YES
Pension funds and similar	NO	NO

It is still possible to provide services free of charge to own pension fund, but in case of other clubs and foundations, a detailed analysis might be required.

Silent Option

Until 2017, in order to opt for taxation for a VAT exempt turnover, the VAT needed to be shown on the invoice.



INVOICE	#123
	CHF
Rent Sept.	1'000.-
VAT 8%	80.-
Total Bill Amount	1'080.-

Silent Option

As per 2018, an option is also possible if the VAT is only declared and paid in the VAT return and not shown on the invoice.

INVOICE	#123
	CHF
Rent Sept.	1'077.-
Total Bill Amount	1'077.-



Abrechnungsperiode:
 Einreichdatum und Zahlungsfrist:
 Valuta (Verzugszins ab):
 MWST-Nr.:
 Ref-Nr.:

I. UMSATZ (zitierte Artikel beziehen sich auf das Mehrwertsteuergesetz vom 12.06.2009)

Ziffer	Umsatz CHF	Umsatz CHF
200		
220		
221 +		
225 +		
230 +		
235 +		
280 +		289
299		

II. STEUERBERECHNUNG

Satz	Leistungen CHF ab 01.01.2018	Steuer CHF / Rp. ab 01.01.2018	Leistungen CHF bis 31.12.2017	Steuer CHF / Rp. bis 31.12.2017
Normal	302	7,7%	301	8,0%
Reduziert	312	2,5%	311	2,5%
Beherbergung	342	7,7%	341	3,8%
Bezugssteuer	382		381	
Total geschuldete Steuer (Ziff. 301 bis 382)				399
Vorsteuer auf Material- und Dienstleistungsaufwand				400
Vorsteuer auf Investitionen und übrigen Betriebsaufwand				405 +
Einkommensteuer (Art. 32, bitte detaillierte Aufstellung belegen)				410 +
Vorsteuerkorrekturen: gemischte Verwendung (Art. 30), Eigenverbrauch (Art. 31)				415 -
Vorsteuer Kürzungen: Nicht-Erträge wie Subventionen, Tourismusabgaben (Art. 53 Abs. 2)				420 -
Zu bezahlender Betrag				500
Guthaben der steuerpflichtigen Person				510 -
Total Ziff. 400 bis 420				479

III. ANDERE MITTELFLÜSSE (Art. 18 Abs. 2)

Subventionen, durch Kurvenzüge eingetragene Tourismusabgaben, Entsorgungs- und Wasserwerkbeiträge (Bst. a-c)	900
Spenden, Dividenden, Schadensersatz usw. (Bst. d-f)	910


Der/die Unterzeichnende bestätigt die Richtigkeit seiner/ihrer Angaben:
 Datum: _____ Regisverbindliche Unterschrift _____ Kontaktperson: Name, Tel.-Nr. _____

E-invoicing (change of practice)

Digital signature no longer required

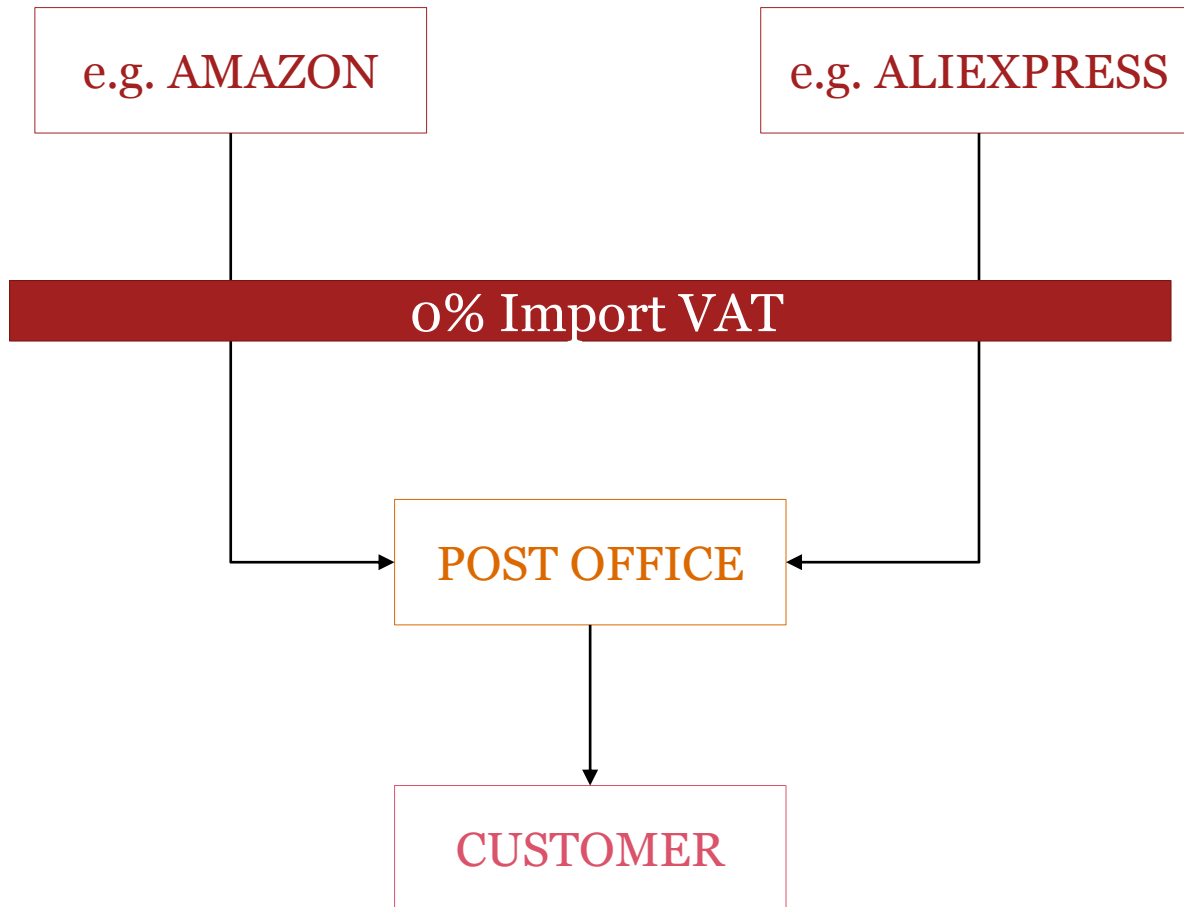
Until 2017 electronically sent invoices required a digital signature (EIDI-V) to be accepted as valid documents for input VAT recovery.

Based on the principle of free consideration of evidence, the FTA has changed its practice and now officially also accepts simple pdf-invoices, provided it can be adequately proven that the invoices have not been changed and can be made accessible without undue delay.



INVOICE	#123
	CHF
Rent Sept.	100.-
VAT 8%	8.-
Total Bill Amount	108.-

Changes for 2019



- No import VAT is levied on low value parcels, e.g. CHF 200 for books or CHF 65 for standard goods

Competitive disadvantage for Swiss suppliers

- As from 1/1/2019, if import of low value goods exceeds CHF 100'000 p.a., foreign company has to VAT register, import ALL goods in own name and charge VAT on all goods sent to Switzerland

Foreign companies have the same VAT treatment as Swiss suppliers (no supplies without VAT)

Still questions as to how FTA and Post can handle it.

Evolution, not Revolution

- Most Swiss based entities will only be very mildly affected
- Important changes for public bodies
- Clarity regarding supplies to own pension funds
- Vast number of foreign entities / individuals will become VAT liable in Switzerland and will need a fiscal representative
- VAT law changes should remove some competitive disadvantages for Swiss companies
- Changes as per 2019 still uncertain, push back from Swiss Post and practical issues for FTA

Thank you for your participation!



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