

HR Update

Changes in 2019/20



Tax

Withholding tax (tax at source): Same as it never was?

The amended version of the ordinance on taxation at source¹ was published on 11th April 2018, with Circular No. 45² published on 12th June 2019. Both are due to enter into force on 1st January 2021. Here is a summary of the changes that are most important for you:

- Employers must settle with every single canton where employees subject to taxation at source live.
- With the abolition of tariff code D, in situations where part-time employees have more than one job or insurance compensation, the income that determines the rate has to be extrapolated.
- There are special calculation formulas for the taxation of the 13th monthly salary and for joiners and leavers with the monthly model.
- Payments after leaving Switzerland or before moving to Switzerland are now handled differently.
- There are uniform arrangements for daily settlement for those resident abroad.
- The criteria governing a retrospective ordinary tax assessment and when the 'tariff correction' ceases to apply have been changed.

This harmonisation will necessitate many different modifications to payroll software, and employers are required

to obtain further information from their employees. The preparatory work must be done in 2020.

Subscribe to our [blog](#) and visit our new [website](#). Here you'll find the most important changes in cantonal tax authority practice. It's a good idea for companies to think about this in good time and draw up a plan of action.

Salary certificates

Guidance

Adapted guidance on filling out salary certificates is pending. It will entail the following substantial changes (written in bold). Minor changes are not elaborated here.

- **Margin no. 9:** In the future employees must pay 0.70 CHF per km, **or at least the cost price**, for transport to and from work. Otherwise field F has to be checked.
- **Margin no. 21:** Here there are clearer rules for personal use of rented vehicles. The basis for the 0.8 % private use component is the market value of the vehicle at the beginning of the rental period. When different vehicles are rented, the average value of each category of vehicle at the beginning of the rental period applies.
- **Margin no. 67:** From 2020, if the job is part time **you must** mention this on the salary certificate. You are still requested to specify the level of employment.
- **Margin no. 72:** This passage amplifies on the **ordinary** private use of work equipment (mobile phones, computers etc.).

Company car

On 28th June 2019 the Federal Department of Finance submitted an amendment to the ordinance for consultation: The percentage for private use of a company vehicle is would be 0.9 % of the purchase price (excluding VAT) per month (currently 0.8 %). With this increase there will no longer be any claim for travel to and from the place of work, and you as the employer will no longer have to declare on the salary certificate the field service portion. It is still not certain whether this change will be put into force. It remains at the cantons' discretion whether they take the same approach for cantonal taxes. There is still the option of deducting the actual costs of travel.

Social insurance

Pensions/AHV and IV contributions: Minor changes

There will be no increase in AHV/AVS and IV/SI pensions on 1st January 2020.

However, following tax reform and AHV funding, for the first time in more than 40 years there will be an increase in the rate for AHV (OASI) contributions. This will be raised by 0.15 % for both the employee and the employer.

Mandatory accident insurance

Positive inflation and low yields on Swiss federal government bonds influence net premiums for occupational and non-occupational accident insurance. The consequence is that the net premiums

¹ "Ordinance of the FDF on withholding tax on direct federal tax"

² "Withholding tax on employees' income from gainful employment"

will be increased from 2 % to 5 % for occupational and non-occupational accident insurance.

Social security agreements

Switzerland has signed agreements on social security with both Serbia and Montenegro. These took effect on 1st January 2019. The new social security agreement with Kosovo entered into force on 1st September 2019. It assures the export of AHV/AVS and IV/SI pensions, provided repayment of contributions has not been requested. An agreement has also been signed with Brazil. This entered into force on 1st October 2019.

An agreement with Bosnia and Herzegovina will soon enter into force. The precise date is not yet known because both countries' parliaments must first ratify the agreement.

Family allowances

On 19th September 2019 parliament voted to amend the law on family allowances (Federal Act on Family Allowances, FamZG/LAFam). It should enter into force in 2020 at the earliest. The amendments concern three points:

- Education allowances for young people should be paid from age 15 rather than 16. Entitlement commences from the month in which the child begins post-compulsory training or education.
- Unemployed single mothers are to receive family allowance as per the loss of earnings fund during the period they receive income compensation allowance for maternity.
- A legal basis for granting financial aid to family organisations has now been created in FamZG/LAFam.

Various cantons will adjust their family allowances, although not all have made a final decision. At present it is certain that St Gallen, Basel-Stadt, Schaffhausen, Appenzell Innerrhoden, Jura and Fribourg will raise their family allowances.

International certificates

EU and EFTA states check certificates of social security cover (i.e. the A1) increasingly frequently. These certificates are required if an employee travels or is seconded to an EU or EFTA country, even if it is only for a one-day business trip.

The person's position, profession and job are irrelevant. We recommend carrying an A1 certificate to avoid fines. Some social security authorities grant frequent travellers a so-called annual certificate. You have to apply for this before the first deployment abroad (it's easiest to do so electronically).

Minimum interest rate on occupational pensions

Mandatory (BVG) pension assets earn interest at a minimum rate set by the Swiss Federal Council. The interest rate for extra-mandatory pension assets can be lower, provided that the minimum BVG rate is paid. The Federal Council sets the minimum rate for mandatory assets on the basis of a recommendation from the Federal Commission on Occupational Benefit Plans. The commission recommended leaving the rate at 1 %. The Federal Council has now confirmed this.

Analysis of pay equality

On 21st August 2019 an amendment to the Federal Gender Equality Act was passed. It will enter into force on 1st July 2020. The analysis of pay equality is designed to achieve equal pay for men and women. Private and public-sector employers with over 100 employees (headcount as opposed to FTEs) are obliged to conduct their first analysis at the end of June 2021 and every four years thereafter. If the pay equality analysis shows that the compensation equality is maintained, the employers are exempted from the analysis requirement.

Three options are available: An analysis conducted by employee representatives, recognised equal pay experts, or auditing firms. The federal government will provide the necessary analytical tools free of charge. Organisations able to demonstrate pay equality by means of another analysis are exempt from

having to conduct an analysis of pay equality. The law is valid for 12 years until 1st July 2032.

PwC stuff

Outsourced payroll services

Our outsourced payroll services are certified in accordance with the International Standard for Assurance Engagements, ISAE 3402, Type II. The audit period of our report covers the past calendar year. The ISAE 3402 report for a given calendar year will be available in July of the following year.

Our ISAE 3402 attestation gives responsible parties and decisionmakers the certainty that our pay-roll outsourcing services for clients are based on adequate internal controls and that all relevant business processes are monitored. The Type II report confirms that we have set up appropriate controls and that they were implemented successfully over a defined period.

We recommend submitting our ISAE 3402 report to your auditors. It will help them plan their work and have a positive impact on the costs of the audit, as the audit activities in connection with out-sourced payroll accounting can be reduced. We'll be glad to provide our ISAE 3402 report on re-request and answer any questions you might have.

Abacus payroll software

If you work with Abacus business software in payroll, we can show you ways of making your payroll-related work more efficient via the relevant salary types, tables and automation or interfaces with surrounding systems.

Our experts will be glad to discuss any of the topics mentioned. We look forward to hearing from you.



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