

Information leaflet for persons subject to tax at source domiciled in Switzerland or persons domiciled abroad; valid as of 1 January 2023

What is tax at source?

Tax deducted at source means that the employer deducts the amount due for tax purposes from your salary and sends it to the cantonal tax authority in Switzerland.

Is my nationality important for the assessment of tax liability?

In principle, your nationality has no effect (except for DBA¹ and 'cascading rules' in unclear circumstances).

Who is subject to tax at source?

Subject to tax at source are foreign persons who:

- live in Switzerland and do not have a 'C' residence permit or a Swiss citizenship and are not married to a person who has a 'C' residence permit or a Swiss citizenship;
- live abroad and work in Switzerland as cross-border workers or international weekly commuters (regardless of nationality; limited tax liability);
- are in Switzerland on staff lease from abroad (even if staff lending is not permitted in Switzerland both generally and among affiliated companies), e.g. to work on a project in Switzerland for a PwC member company (limited tax liability).

This list is not exhaustive. In some cases, other aspects must be taken into account. Questions should be directed to HC4You (hc4you@pwc.ch).

Where is my domicile?

Providing the right information about your domicile is crucial for the correct accounting treatment. Your domicile is where your center of vital interests is located (e.g. family, friends). If, for example, you return on a weekly basis to your family, partner, etc. abroad, you continue to be domiciled there. In such a case, your address in Switzerland is merely the address of your weekly stay.

If you continue to be domiciled abroad, please observe the notes from page 4 on.

In the HC Tool, the address to which mail is sent (address of your weekly stay) should be entered as the 'Mailing address' and the center of vital interests as the 'Domicile address'.

What are the notification duties for persons subject to tax at source?

To enable PwC to apply tax at source correctly, the person subject to tax at source must immediately report the following events and update the HC Tool accordingly:

- Grant of a 'C' residence permit or a Swiss citizenship
- Grant of a 'C' residence permit or a Swiss citizenship to spouse/registered partner
- Change in civil status (married/registered partnership, separated, divorced or widowed)
- Births of children or other situations where you have to support children, education details etc.
- Other activities of yourself (employed or self-employed, supplementary income and details to determine the correct tax rate)
- Details of the employer (company and country) of the spouse or registered partner as well as changes relating to the partner's work (start or termination of employment, change of company or of the canton/country of the employer) and details of the form of taxation to which the partner is subject, such as tariff E, or work for an international organisation or other special status
- Receipt of supplementary income (unemployment benefit, pension, alimony, etc.) by the spouse

¹ DBA = Doppelbesteuerungsabkommen (double taxation treaty, DTT)

- Loss of earned income or supplementary income by the spouse
- Change of domicile address
- Change of address of weekly stay
- Change of religious denomination

Persons domiciled abroad, see other duties from page 4 on.

What earnings are subject to tax at source?

Tax at source applies to the gross earnings as an employee (salary, incl. commissions, allowances, seniority and anniversary gifts, etc.) and the supplementary benefits received when employment is temporarily reduced or interrupted (e.g. daily allowances from unemployment insurance, health insurance, disability insurance, personal accident insurance and disability pensions from disability or personal accident insurance).

What are the tariffs (rates)? (details can be read in the newly published circular letter no. 45 of the tax authorities (available in German, French and Italian language))

Tariff A	For individual taxpayers (single, divorced, legally or actually separated, widowed taxpayers) who do not have children living in the same household;
Tariff B	For spouses* ² living together in a state of legal or actual undivided marriage when only one spouse* is gainfully employed;
Tariff C	For spouses* living together in a state of legal or actual undivided marriage when both spouses* are working or get supplementary income, even if this income is ordinarily assessed in addition;
Tariff E	For persons taxed according to the simplified billing system through the social security institution;
Tariff F	For double-income cross-border workers living in the frontier region of Italy and whose spouses* are not employed in Switzerland;
Tariff H	For individual taxpayers (single, divorced, legally or actually separated, widowed taxpayers) who have children living in the same household for whom they are the principal means of financial support;
Tariff L	For genuine cross-border workers in accordance with the agreement between the Swiss Confederation and Germany to avoid the double taxation of income and assets (DBA-D) who fulfil the conditions for an assessment under Tariff A;
Tariff M	For genuine cross-border workers in accordance with the DBA-D who fulfil the conditions for an assessment under Tariff B;
Tariff N	For genuine cross-border commuters in accordance with the DBA-D who fulfil the conditions for an assessment under Tariff C;
Tariff P	For genuine cross-border commuters in accordance with the DBA-D who fulfil the conditions for an assessment under Tariff H.

For Tariffs A, B, C, F and H, the tax-at-source burden depends on the amount of the monthly gross income. Tariffs L–P: see comments below.

The tax authority in some of the cantons will inform the person liable for the taxable earnings (the employer) of the applicable tariff. In the Canton of Geneva, the employee must fill out a form to determine the tariff when starting and changing his/her employment and at the beginning of the calendar year. If the tax authority has not sent a notification or the taxpayer's complete details have not been sent by the time the first salary payment is made, the employer or the insurer determines the applicable tariff. The tariff is assessed based on the information submitted by the employee and checked by the employer, along with the applicable tariff level and children to be supported.

If the employee does not disclose reliable information on his/her personal situation, the employer or insurer shall apply the following tariffs:

² Applies also to persons living in a registered partnership

- Tariff AoY for single employees and employees with an unspecified civil status (O= no deduction for support of children; Y=including church tax)
- Tariff CoY for married employees (Y=including church tax)

Church tax disclosures are not applicable in all cantons. Please contact HC4You if you have any questions.

Who fixes the applicable tariff for the tax at source?

Each taxpayer has the possibility to have his/her tariff checked or fixed by the authority responsible for tax at source in the respective canton.

A reassessment of withholding taxes may be requested by the employee subject to tax at source by making an application to the competent tax authority by 31 March in the following year. The usual means of redress (appeal) remain open in the event the application is not successful. PwC has no involvement in the application for a tariff amendment nor in any subsequent appeal, nor is PwC a party to these proceedings.

For other possibilities to amend tariffs and claim other deductions and the possibilities for review procedures, please consult the further information in this leaflet and the information provided by the cantonal tax authorities.

Who has to pay church tax?

Employees subject to tax at source, irrespective of their residence, must pay the church tax according to their religious denomination. In many cantons, it is obligatory to pay church tax for Roman Catholic, Old Catholic and Protestant-Reformed religious denominations and the Jewish 'worship tax' (Kultus-Steuer).

Who receives a child benefit and how is this accounted for in the tariff classification?

Child benefit is taken into account from the month following the birth of a child. The taxpayer has to provide evidence that he/she is the main provider for the children under his/her parental care (under-age children or children after the age of maturity attending initial training) and thus can claim the respective child benefit if sending the supporting documentation to PwC.

Tariff C is applied to couples who are subject to tax at source and who are both working. In principle, if both partners are working, they both can apply the tariff including a deduction for children.

Accounting for maintenance (alimony) payments in tax at source

If the person subject to tax at source makes maintenance payments for a spouse and/or children, it may lead to economic hardship. In such cases of economic hardship, the person subject to tax at source may request a review of the tariff by the authority responsible, which will attempt to account for maintenance payments by granting a corresponding deduction for children.

What is a retrospective ordinary assessment (ROA)?

If the net income taxed at source of a person subject to tax at source is more than CHF 120,000 in a calendar year and the person's domicile is in Switzerland, a retrospective ordinary assessment of the entire income and assets is performed; for married couples or persons living in a registered partnership, the income and assets of the partner are also assessed.

Persons subject to tax at source with a residence in Switzerland for tax law purposes are assessed by means of an ordinary procedure on their income that is not subject to tax at source (e.g. earnings from additional self-employment, pensions, earnings from movable and immovable assets in Switzerland and abroad, support payments, etc.) and their assets. They must indicate it to the relevant authorities in order to be assessed ordinarily as well.

Persons subject to tax at source domiciled in Switzerland, irrespective of their income, can request a retrospective ordinary assessment as well as 'quasi-residents' living abroad³. It has to be applied for until March 31 of the following tax year. Further deductions such as alimony payments or payments for a 2nd or 3rd pillar etc. can only be made with the retrospective ordinary assessment. The tax at source deductions won't stop because of that. If the

³ Generally, persons domiciled abroad if at least 90 percent of their worldwide gross income is subject to tax in Switzerland in the corresponding tax year

retrospective ordinary assessment is requested once, it must be done every following year (except for ‘quasi-residents’).

Tax deducted at source is billed free of interest; excess tax is repaid.

The following table shows the situations described above:

Description	Legal bases	Prerequisites	Request	Consequences	Responsibilities
Residents of Switzerland					
Compulsory ROA	Art. 89 (1) letter a DBG ⁴	Gross income from employment of at least 120'000 CHF (no aggregation for spouses)	No request	ROA until the end of the withholding tax liability (for spouses also after separation or divorce)	Canton in which the person is residential at the end of the tax period or tax liability (key date principle)
	Art. 89 (1) letter b DBG	Other income not subject to withholding tax (e.g. taxable assets according to cantonal law ⁵)	Request tax return until March 31 of the following year	Common ROA for spouses	
ROA upon request	Art. 89 letter a DBG	None	Until March 31 of the following year or at deregistration from Switzerland	Withholding taxes are credited interest-free Request also extends to spouses	
Persons with residence in foreign countries					
ROA upon request	Art. 99 letter a DBG	90 % of the income taxable in CH (quasi-residents) Yearly evaluation necessary	Request until March 31 of the following year (must be done yearly)	Withholding taxes are credited interest-free	Canton in which the person is employed or has his/her weekly stay at the end of the tax period or tax liability
ROA ex officio	Art. 99 letter b DBG	Hostile circumstances	No request (ex officio)		

When can tax at source be reclaimed or corrected?

Every person who is subject to tax at source (regardless of domicile) can request a recalculation of the withholding taxes until March 31 of the following year. Reasons for that can be:

- incorrect determination of the gross salary subject to withholding tax
- incorrect determination of the rate determining income
- wrong tariff was used

No additional deductions can be made with the recalculation, this is only possible with the retrospective ordinary assessment. The responsible tax authorities decide whether a retrospective ordinary assessment will be made in any case.

Information/instructions for employees domiciled abroad

Given that mobility is increasing, it is essential to keep a record of the days when work is performed without being physically present in Switzerland.

Depending on the frequency and duration, this can have an impact on the tax situation and social security obligations. In the case of social security obligations, the nationality of the employee is important. Therefore, a record must be maintained of working days and other days of absence abroad and the details entered correctly in iPower.

⁴ Direktes Bundessteuergesetz = direct federal tax law

⁵ The cantons will define different minimum amounts regarding income and assets, therefore this has to be checked with the responsible tax authorities

Days spent outside Switzerland comprise not only working days for meetings/projects etc. but also days working from home ('home office days'). HC Operations and Global Mobility can also clarify to what extent further measures are necessary to clarify the social security situation.

Employees must also correctly fill out the tax return for their country of residence. PwC may provide support in the country of residence for project assignments mandated by PwC. Global Mobility can provide more information.

Notes on tax legislation

In some circumstances, the following documents must be submitted in order to benefit from the lower cross-border rate:

- Tax assessment from the spouse's country of residence showing that the partner is not gainfully employed
- Birth certificate and a copy of the family register book
- Marriage certificate
- Confirmation of withdrawal from a religion
- Cover letter requesting an adjustment to the tariff and declaring that the spouse is not gainfully employed
- From the age of 16, a school certificate must be submitted (the employee is responsible for submitting this regularly; otherwise, the tariff 'without children' is applied)

If a cross-border commuter does not agree with his/her classification as a genuine or 'phantom' cross-border commuter, he/she may request a recalculation of the withholding taxes from the cantonal tax authority until March 31 of the following year.

Cross-border commuters/international weekly commuters from Germany

We refer you to the notes concerning the definition of the domicile for tax purposes on page 1.

'Phantom' cross-border commuters

A classification as a 'phantom' cross-border commuter is applied when:

- **due to professional reasons**, it is not possible for the employed person to return for less than 60 days per year to his/her place of residence in Germany (centre of vital interests); or no **residence certificate** has been produced.

Depending on the canton, home office days can also count as days subject to taxation abroad. If the days subject to taxation abroad per calendar year exceed the threshold, the taxpayer must fill in form Gre-3 and send it along with the record of working days for signing by the employer, and then submit the documents to the competent cantonal tax authority.

- As a rule, the distance between the place of work and the place of residence is more than 100 km each way or takes more than 1.5 hours each way and, in fact, no daily return trip takes place to the place of residence in Germany.

'Phantom' cross-border commuters are taxed at source as normal and have no claim to the lower cross-border commuter rate of 4.5%.

Genuine cross-border commuters

A classification as a genuine cross-border commuter is applied when:

- the employed person's **daily return trip** from his/her place of work in Switzerland to his/her place of residence (centre of vital interests) in Germany is reasonable, or it effectively takes place;
- the employed person has submitted a **residence certificate** from the German tax authority (form Gre-1 and Gre-2);
- the distance between the place of work and the place of residence is less than 100 km each way or takes less than 1.5 hours each way.

The lower cross-border rate of up to a maximum 4.5% (varies from canton to canton) applies to genuine cross-border commuters. If the residence certificate is not submitted, the regular tax at source rate is applied.

French cross-border commuters

Daily return:

Employees who return home daily and have an 'Attestation de domicile fiscale' (certificate of tax residence) (2041-AS(K)) do not pay tax at source in Switzerland and are taxed normally in France:

- BE
- BL
- BS
- JU
- NE
- SO
- VD
- VS

These cantons may apply the same criteria for distance to work and journey time to determine cross-border status as those applied to German cross-border commuters. In practice, the status of 'phantom' cross-border commuter is applied to those who do not make the daily return home for professional reasons on 45 occasions.

The extent to which home office days are counted among the days that are subject to taxation abroad is still being clarified.

Weekly return:

Employees who make a weekly return home or who have amassed more than 45 days subject to taxation abroad cannot be exempted. They are subject to the regular tax tariff, like all other workers subject to tax at source in Switzerland.

Canton of Geneva:

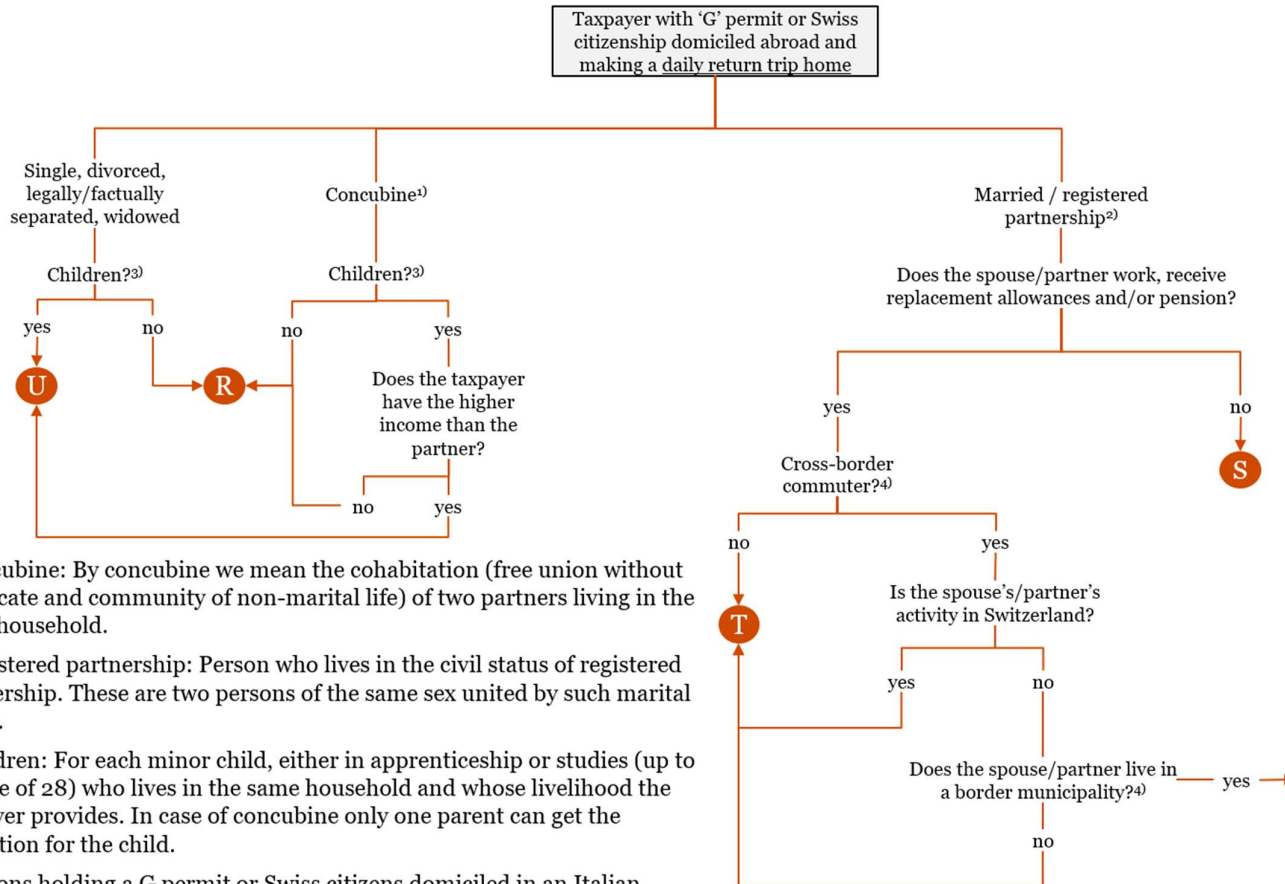
Cross-border commuters who work in the Canton of Geneva and reside in the French departments of Ain and Haute-Savoie are taxed at source normally and cannot be exempted.

Italian cross-border commuters

Italian cross-border commuters are subject to the regular tax tariff, like all other employees subject to tax at source in Switzerland. Tariff F applies to double-income cross-border workers living in the frontier region of Italy and whose spouses* are not employed in Switzerland. The person must return home at least once every week (seven days). Tariffs R to U apply when they return home on a daily basis. The employee must notify the commune if he/she remains longer than one week in Switzerland.

Daily return:

- * Working less than a 50% level of employment and monthly gross earnings less than or equal to CHF 2,000: Rate of 10%
- ** For each minority-age child in an internship or studying (up to 28 years old) that lives in the same house and is assisted by the taxpayer.
- *** Holders of a G permit or Swiss citizenship who, on the basis of the Agreement between Switzerland and Italy on the recruitment of cross-border commuters dated 3 October 1974, reside in an Italian municipality.



¹⁾Concubine: By concubine we mean the cohabitation (free union without certificate and community of non-marital life) of two partners living in the same household.

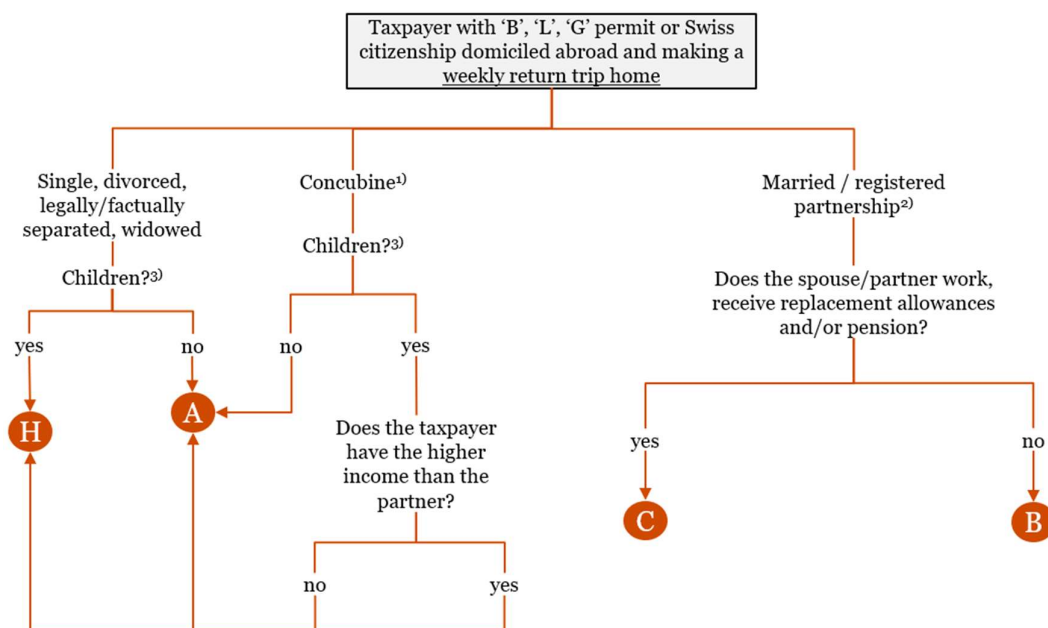
²⁾Registered partnership: Person who lives in the civil status of registered partnership. These are two persons of the same sex united by such marital status.

³⁾Children: For each minor child, either in apprenticeship or studies (up to the age of 28) who lives in the same household and whose livelihood the taxpayer provides. In case of concubine only one parent can get the deduction for the child.

⁴⁾Persons holding a G permit or Swiss citizens domiciled in an Italian municipality under the Agreement between Switzerland and Italy on the taxation of cross-border workers concluded on October 3, 1974.

Weekly return:

- * Working less than a 50% level of employment and monthly gross earnings less than or equal to CHF 2,000: Rate of 10%.
- ** For each minority-age child in an internship or studying (up to 28 years old) that lives in the same house and is assisted by the taxpayer. If the parents are living together, only one of them can apply the deductions for the child.



¹⁾Concubine: By concubine we mean the cohabitation (free union without certificate and community of non-marital life) of two partners living in the same household.

²⁾Registered partnership: Person who lives in the civil status of registered partnership. These are two persons of the same sex united by such marital status.

³⁾Children: For each minor child, either in apprenticeship or studies (up to the age of 28) who lives in the same household and whose livelihood the taxpayer provides. In case of concubine only one parent can get the deduction for the child.

⁴⁾Persons holding a G permit or Swiss citizens domiciled in an Italian municipality under the Agreement between Switzerland and Italy on the taxation of cross-border workers concluded on October 3, 1974.

Austrian cross-border commuters

Austrian cross-border commuters are subject to the regular tax tariff, like all other employees subject to tax at source in Switzerland. The return home is not relevant for the tax authorities. There is no difference between genuine and 'phantom' cross-border commuters for employees who live in Austria.

Liechtenstein cross-border commuters

According to the double taxation treaty (DTT) between Switzerland and Liechtenstein, the earned income from employment contracts under private law of daily cross-border commuters is only taxable in the country of residence.

Similar to the agreement on French cross-border commuters, if a daily return home is not made on 45 occasions ('non-return days') the employee becomes liable to pay tax at source in the country in which he/she works (in this case, Switzerland). Home office days do not count as days subject to taxation abroad. There are detailed explanations of what is considered a non-return day and the level of detail with which lists must be kept.

Important for all other employees subject to tax at source

Depending on the individual tax status, the country of residence and the employee's position, Switzerland has no right to tax days that are worked outside of Switzerland. However, PwC Switzerland does not exempt the days worked abroad from tax at source as of the first day. The days worked outside of Switzerland are exempted only when the employee's status changes from a genuine to a 'phantom' cross-border commuter or, in other cases, when the number of days abroad exceeds 90.

It is essential therefore that the employee explores the available options directly with the authorities and the days not worked in Switzerland be refunded in full. The procedure differs from canton to canton. The record of working days kept by the employee may be used as the basis for submitting claims for reimbursement. Currently, such

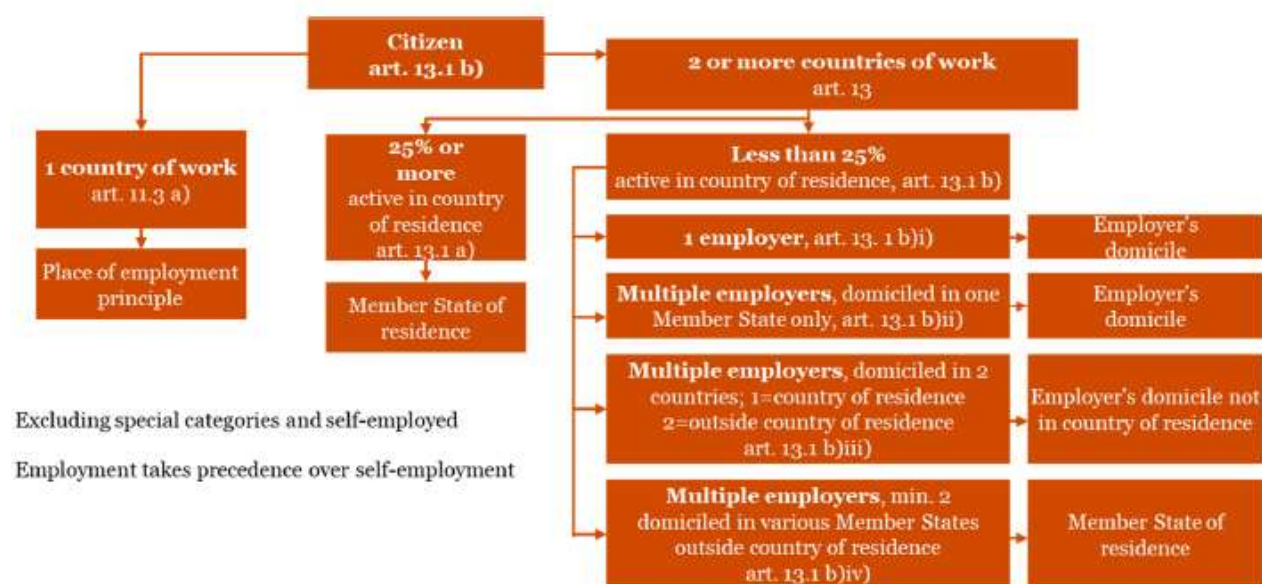
claims are forfeited if they are not submitted in due time before 31 March of the following year. PwC accepts no liability for claims that are not submitted or claims that are submitted too late by employees.

PwC does not make any applications for or on behalf of its employees.

Notes on social security legislation

Besides the tax requirements, the implications of social security legislation mustn't be underestimated. In particular, cross-border commuters may work physically in various countries. At the same time, home office days worked by a cross-border commuter is one aspect (if they are regular and coupled with other working days in the home country) that may lead to a different social security status to that in Switzerland.

The following notes assume the person is Swiss or a citizen of an EU Member State who works in several EU Member States or in Switzerland, or a citizen of an EFTA Member State who works in several EFTA countries or Switzerland. They further assume the person is an employee and is not a self-employed person or someone with a special status like a civil servant. The summary indicates the country competent for social security matters.



In order not only to pay the contributions in the right country but also to be able to obtain benefits in the event of a claim, the exchange of information between the employee and PwC is doubly important. This can be better ensured by the regular tracking of the number of working days physically worked in each country.

If the cross-border commuter only works in Switzerland or is insured in Switzerland, this applies for all compulsory insurance categories (old age/survivor's insurance, invalidity insurance, income compensation, family allowances, unemployment insurance, occupational pension, health insurance, compulsory accident insurance). Hence, without further actions on the part of the employee, the cross-border commuter is also liable to pay for health insurance. This applies also to any family members who are not gainfully employed.

In this regard, the cross-border commuter can assert an option right in relation to various countries to remain insured in his/her country of residence. This option right is granted only during the first three months. The employee must be proactive and regulate this with the competent authorities.

According to social security legislation, a cross-border commuter is a person who returns at least once a week to his/her residence abroad. The term is therefore not identical with that used in tax law.

The following table shows possibilities in those countries where an option right is available:

Compulsory health insurance and option right

The summary below shows who must have insurance cover according to the HinsA (health insurance), who can decide between being insured in Switzerland or in the country of residence (Switzerland/EU Member State option right) and who has to be insured in the country of residence.

	EU – Code		
		Frontier worker (cross-border commuter)	Non-working family members of the frontier worker
Country of residence (EU)			
Belgium	BE	CH	CH
Bulgaria	BG	CH	CH
Denmark	DK	CH	DK
Germany	DE	DE/CH	DE/CH
Estonia	EE	CH	CH
Finland	FI	CH	FI/CH
France	FR	FR/CH	FR/CH ¹
Greece	EL	CH	CH
United Kingdom	UK	CH	UK
Ireland	IE	CH	CH
Italy	IT	IT/CH	IT/CH ¹
Croatia	HR	CH	CH
Latvia	LV	CH	CH
Lithuania	LT	CH	CH
Luxembourg	LU	CH	CH
Malta	MT	CH	CH
Netherlands	NL	CH	CH
Austria	AT	AT/CH	AT/CH ¹
Poland	PL	CH	CH
Portugal	PT	CH	PT
Romania	RO	CH	CH
Sweden	SE	CH	SE
Slovakia	SK	CH	CH
Slovenia	SI	CH	CH
Spain	ES	CH	ES
Hungary	HU	CH	HU
Czech Republic	CZ	CH	CH
Cyprus	CY	CH	CH
Country of residence (EFTA)			
Iceland	IS	CH	CH
Liechtenstein	LI	LI	LI
Norway	NO	CH	CH

Source: Own representation based on Gemeinsame Einrichtung KVG, 2020⁶

¹ Insurance in the same state as the cross-border employee, pensioner, unemployed

⁶ <https://www.kvg.org/de/leitfaden-content---1--1079--81.html>