



TAX UPDATE FROM SWITZERLAND PRIVATE CLIENT SERVICES

In a bid to increase the income of the Old Age Insurance System, a new Swiss inheritance and gift tax initiative has been proposed. The new tax will be enacted at a federal level, although assessed and collected at the cantonal level with the cantonal laws currently in place being repealed.

Whilst it is not expected that the tax will be introduced until 2014, if enacted it will have retrospective effect and apply to lifetime gifts from 1 January 2012.

The main implications are:

1) The tax will be levied on:

- Estates of individuals who at the time of their death were resident in Switzerland, or
- Estates of individuals whose probate proceedings have already begun in Switzerland.

2) The tax will be a flat rate of 20% and will be payable by the estate, rather than the beneficiary.

3) The following exemptions may apply:

- A CHF 2million one-off exemption will be applied on the total estate and taxable gifts made prior to death.
- Gifts to spouses or registered partners will be free of tax.
- Gifts to tax-exempted legal institutions, mainly charitable institutions, will be free of tax.
- Gifts of CHF 20,000 per year per recipient will also be free of tax.



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4) Further exemptions are expected with regards to small and medium sized businesses (including agricultural).

It is essential that individuals who are resident in Switzerland are aware of the proposals and review their estate with a view to considering making gifts or transferring assets prior to 31 December 2011, if appropriate.

It is important to note that individuals who are taxed under the forfeit (lump sum tax) regime will also be caught by this new initiative, as inheritance and gift taxes are not usually included within their agreement with the tax authorities.

For further information and advice please contact us.



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