

NEW VAT PROVISIONS AS WELL AS VAT RATES FROM 1 JANUARY 2018 IN SWITZERLAND

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VAT is an important component of each corporate activity. As per 1 January 2018 the Swiss VAT Law will be amended.

What does it mean of my company?

The partially revised VAT law and its associated regulations will definitively enter into force as of 1 January 2018. Only the new regulations regarding mail order trade take effect one year later. The most important changes are as follows:

- The beginning of the obligatory Swiss VAT duty is newly calculated based on worldwide turnover. If the value of taxable global supplies within Switzerland and abroad reaches the threshold of CHF 100,000 per year, the supplier must register their business for VAT purposes. This will lead to many new registration requirements, especially for foreign companies.
- The new mail trade regulations, which come into force as of 1 January 2019, stipulate that foreign online merchants shall charge their Swiss customers VAT if they reach the turnover threshold of CHF 100,000 per year with the sale of import tax exempt small consignments (import tax amount < CHF 5).
- For the voluntary taxation of exempt services, it is no longer mandatory to disclose the tax in the invoice or for contracts to offer an opt-in clause. The option can be newly implemented for the respective revenues with a simple declaration in the VAT statement. However, the transfer of the tax to the customer in such cases is problematic.
- Not only newspapers, magazines, books, and other printed products are subject to the reduced rate of 2.5%, but also their electronic editions.

- To be able to claim the notional deduction of VAT, it will now only be assumed that VAT was not transferred when the item was purchased. A deduction is possible also in cases of acquisition of equipment and unused objects as well as when selling abroad.



What do I have to consider?

On 24 September 2017 the increase respectively the continuation of the current Swiss VAT rates was voted on. This draft legislation was rejected. As a result, the VAT rates in Switzerland will be reduced as per 1 January 2018. The new VAT rates will be the following ones: 7.7% for the standard VAT rate; 3.7% for the accommodation services. The reduced VAT rate will remain at 2.5%.

Companies will now be left with very little time to adapt their IT systems accordingly. The VAT return templates have already been modified by the Swiss Federal Tax Administration (SFTA) to reflect the changes and have already been published on the SFTA's website. In addition, the SFTA now has to amend its brochures and written guidelines. However, it can be expected that not all amended brochures will be published in time, before the end of 2017. We will be happy to keep you informed.

The countdown has started: You have another 94 days left. Let us know, if we can assist you with the above mentioned impacts.

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