

NEW TAX AT SOURCE LAW

2021



Dear customers,

On January 1, 2021, the revised **Tax At Source Law** including the regulation and the Circular No. 45 of the Swiss Federal Tax Administration (FTA) will come into effect. The aim of the revision is to reduce the unequal treatment between people who are either taxed at source and people who are taxed normally. In addition, the new provisions will standardize the tax at source procedures of all cantons.

Below you will find an overview of some of the main changes for tax at source requirements:

- Until December 31, 2020, tax at source can be settled with the Cantonal Tax Office either at the employer's or employee's domicile. Starting 2021, it is mandatory to settle the accounts with the Cantonal Tax Office at each employee's place of Swiss residence. Instead of one declaration, several declarations will be necessary.
- There is now a predefined calculation method for the monthly and annual models to calculate the taxable and the rate-determining income. This affects part-time employees.
- Starting with tax period 2021, tariff code D for income from a secondary occupation will not be valid anymore. In the future, this income will be subject to taxation according to the ordinary tariff (A, B, C or H).
- If a person subject to tax at source receives a C permit or if they marry a person who is in possession of Swiss citizenship or a C permit, they are no longer subject to tax at source starting the following month. Therefore, the entire tax period follows the ordinary procedures of tax assessment. Taxes at source that are already assessed will be credited interest-free in the normal tax process.
- An obligatory subsequent tax assessment (NOV) still applies if a person who is a resident in Switzerland has a taxed at source income of CHF 120,000 or more.
- The application for re-assessment of tax at source is no longer possible. Likewise, the supplementary assessment for assets and income not subject to tax at source is waived.

- People subject to tax at source can now only apply for a tariff correction for the following three elements by March 31 of the following year: the taxable wage, the rate-determining wage or the tariff.

- Any resident in Switzerland who is subject to tax at source can now submit an application for NOV by March 31 of the following year. If an application is approved, an NOV has to be made until the end of the tax at source taxation - an application should be carefully considered!

- Persons who are residents abroad and subject to tax at source can submit an application for NOV for each tax period by March 31 of the following year at the latest if the majority of global income is taxable in Switzerland or if a tax situation comparable to a Swiss resident is given.

- Employers have tight deadlines for declarations on paper (registrations, changes, corrections or cancellations). When submitting via ELM, other regulations apply.

There is need for action if you have employees who are subject to tax at source. The payroll accounting must be set up accordingly for 2021 and employees may have to provide the employer with further information on the rate-determining wage.

If you have further questions, we will be happy to answer them.

Best regards

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