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Switzerland – TAX CONSIDERATIONS FOR SHORT TERM LETS

This is a guide to some of the tax requirements that might apply when you provide accommodation for short-term rental in Switzerland.

Tax can be tricky and it is important that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are an individual supplying short-term accommodation in Switzerland, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income taxes
- Wealth tax
- Local tourism tax
- Value added tax (VAT)

Please understand that this information is to help you find the advice you might need; it is not intended to be comprehensive, and is not legal or tax advice. We encourage you to check official local guidance, and seek independent advice from a qualified professional, where you need support with understanding your tax obligations.

Please note that we do not update this information in real time, so you should always check that the laws and procedures have not changed recently.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

INCOME TAX

When you earn income in Switzerland it is likely that you will have to pay tax on this income to the Swiss tax authorities. Below is a brief outline of tax that may arise on income earned from short-term lets in Switzerland.

Switzerland's tax year for individuals runs from 1 January to 31 December.

Three level of income taxes

Income taxes are levied at three different levels: at the federal level, at the cantonal level and at the municipal level (whereas municipalities must follow their respective cantonal tax law, but are entitled to determine their own tax rate within certain parameters). The 26 cantonal tax laws are harmonized, but the amount of deductions may be determined by the cantons at their own discretion. Income tax rates are progressive at federal level and in most of the cantons. Due to the tariff autonomy of the cantons and municipalities, the tax rates vary widely from canton to canton and from municipality to municipality (between approx. 22% and 46%). The applicable income tax rate is set based on worldwide income.

You are primarily subject to income and wealth tax at the place where you are resident for tax purposes. However, income from immovable property is subject to income and wealth tax at the place where the property is located. If the property from which the income is derived is located in a canton or country other than the one in which you are resident for tax purposes, an intercantonal or international tax allocation is required.

Swiss rules applicable to short-term rental income

In principle, income from short-term rentals is treated as asset income or, under certain circumstances, as income from self-employment. The letting might be regarded as activity from self-employment if the activity exceeds mere private asset management. If only a small number of rooms, apartments or houses are rented out and there is no extensive activity by the owner or by third parties, the renting is usually considered private asset management. Extensive activity by the owner may consist of additional services provided such as serving meals for guests, room service, daily cleaning, providing a check-in service without advance booking (*i.e.*, reception), *etc.* This list of activities is neither cumulative nor exhaustive; an individual case-by-case analysis is required.

Whereas asset income is not subject to social security contributions, income from self-employment is. Further, assets generating income from self-employment are generally considered business assets. Depreciation of business assets are generally tax deductible. Depreciations of private assets are not tax deductible.

Reporting tax in Switzerland

In Switzerland, the assessment of income and wealth taxes is based on a cantonal tax return that is delivered to all taxpayers and has to be completed truthfully and exhaustively by them (self-assessment). The tax return has to be submitted to the competent tax authority within the deadline determined by the canton. In general, an extension can be requested. If the deadline is missed, a reminder is sent to the taxpayer and a new deadline is set. If taxpayers do not submit their tax return despite a reminder, they are assessed *ex officio* at fair discretion.

If the property you are renting out is located in a canton different to the canton where you are resident, you have to submit tax returns in both cantons.

Tax deductions

Expenses incurred in order to earn the rental income are generally deductible from gross income. When rental income is received, you may deduct costs directly incurred in the provision of the short-term let. This can include, but is not limited to:

- Mortgage interest
- Agents fees (e.g., service fees charged by Airbnb)
- Home insurance
- Maintenance costs
- Repairs/redecoration (as long as there has been no capital improvement)
- Replacement of domestic items (e.g., a new washing machine)
- Any professional fees incurred with the compliance or advice (as long as it is specifically incurred in relation to the rental property)

Deductions available for tax depreciation

There is no tax deduction for depreciation available if the rental property is considered a private asset. Depreciation is only deductible if the property qualifies as part of the business asset.

Swiss income tax obligation for non-resident individuals

If you are a non-Swiss resident and you receive rental income from rental property in Switzerland, such income is subject to Swiss income tax and must be reported to the tax authorities where the rented property is located. Furthermore, non-Swiss residents that have Swiss real estate property are subject to wealth tax in Switzerland on the Swiss real estate property.

General property taxes payable

The real estate property tax, also known as land tax, is a cantonal or municipal tax on real property. The tax is levied by most but not all Swiss cantons, and the real estate property tax systems vary greatly from canton to canton. As a rule, property tax is payable by individuals and legal entities that are registered as owners of a property in the land register. It is calculated on the full tax value of the property, *i.e.*, without taking into account the debts encumbering it. The property is taxable in the canton where it is located, regardless of where the owner of the property resides.

WEALTH TAX

In general, the taxpayer's total assets are subject to wealth tax at the cantonal and municipal levels. At the federal level, the wealth tax for individuals is abolished. The assets are usually assessed at market value and they include all of the property and rights of which the taxpayer is the owner or holder of a usufruct. They include in particular movable assets and immovable assets (e.g., land and real property). However, household goods and personal belongings are not subject to wealth tax.

Wealth tax is assessed based on net assets (*i.e.*, gross assets minus the taxpayer's documented debt). Furthermore, social deductions that vary from canton to canton are granted on net assets. However, certain cantons do not provide for any social deductions and instead have a tax-free minimum of net wealth that can be fairly high. Most of the tax rates for wealth tax are progressive, but some cantons have fixed tax rates (proportional tax).

LOCAL TOURISM TAX

Many of the Swiss municipalities levy a local tourism tax. As the applicable local tourism taxes vary greatly depending on the canton and municipalities (sometimes tourism tax is even levied by a local tourism promotion office), we encourage you to contact the local tourism office or a tax advisor if you need assistance in determining whether you need to charge tourism tax.

In general, the tourism tax is to be charged by the landlord to the guest and is typically calculated per person and night. Generally, the tax charge is between CHF 2 and CHF 7 per person per night, but could also be higher. The amount is determined by the local authorities, not by the landlord, and is typically to be charged by the landlord to the tourist.

VALUE ADDED TAX

VAT can be complicated, and you should take time to understand the rules as they apply to you and your particular situation.

VAT is a tax chargeable when you supply certain goods and services as a business activity and when you have the obligation to be registered as a taxpayer for VAT purposes. You have such an obligation if your worldwide supplies of goods and services exceed CHF 100,000 in any continuous period of twelve months, or if you expect that the total value of your taxable supplies will exceed this threshold.

Most goods and services supplied in Switzerland are subject to VAT, which is calculated as a percentage (the standard rate is 7.7%) of the net amount (*i.e.*, without VAT) paid for the goods and services.

Renting furnished or unfurnished living rooms and rooms for the accommodation of guests is generally considered as an accommodation service irrespective of the duration of the contract. Accommodation services are subject to VAT at the special rate of 3.7%.

Special rules apply for rented premises as a permanent residence, a weekly residence, or if the tenant establishes a place of business or a permanent establishment for business purposes for at least 3 months. In that event, the renting does not qualify as an accommodation service, but as a delivery of goods, which is exempt from VAT. This means that a landlord has no obligation to charge VAT on the leased rooms, but on the other hand is not entitled to deduct any input tax.

The difference between taxable accommodation services and VAT exempt rental services is very delicate and we encourage you to consult a tax advisor if you need assistance in determining whether you need to charge Swiss VAT.

If you are supplying a rental property (or a room within a property) to guests, and this property is located in Switzerland, you may be required to charge Swiss VAT on the rental and pay this VAT to the Federal Tax Administration. This applies even if you are not a Swiss resident. You should discuss with a tax advisor if you are unsure about your VAT obligations in Switzerland.

As you, and not Airbnb, supply the accommodation directly to guests, you the host are responsible for determining whether VAT should be applied to the rental fee you charge guests. You should ensure that you understand your VAT obligations as the supplier of the accommodation to guests.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Switzerland?

If you supply your accommodation to guests in Switzerland as part of a business activity, you may need to charge VAT to guests and pay this to the Federal Tax Administration if you meet the VAT registration threshold.

General VAT compliance aspects

If required, registration with the Swiss Federal Tax Administration for VAT purposes can be done online on [this website](#).

Generally, VAT must be reported and settled quarterly. The VAT declaration must be submitted online within 60 days after the end of each quarter and the VAT due must be remitted directly to the Swiss Federal Tax Administration also within 60 days after the end of each quarter. Respective payment information is provided at the end of the online filing process of the VAT declaration. If you are choosing the net tax rate reporting, you have to file your tax returns

semi-annually.

If real estate is used for purposes subject to VAT, any invoices and other relevant documents must be kept for up to 26 years. This applies in particular if input tax was claimed on any investments in the real estate.

The above information is not intended to be exhaustive and does not constitute tax advice. Further information can be found at the website of the Swiss Federal Tax Administration and in particular in the published by the Swiss Federal Tax Administration.

Since VAT can be complicated, you should take time to understand the rules as they apply to you and your particular situation, and seek advice with your personal tax advisor.