

Swiss VAT registration turnover threshold changes and other amendments will come into force in 2018

Revision of the Swiss VAT Law: Following an affirmative vote in the Swiss Parliament on 29 September 2016, a revised Swiss Value Added Tax (VAT) Law is expected to be in force as of 1 January 2018. The revision covers a variety of issues, whereby the most significant changes are expected to lead to an additional 30,000 foreign businesses having to register for Swiss VAT.

While the majority of the amendments are of an administrative or linguistic character, the revised VAT Law will trigger some significant changes for businesses operating in Switzerland.

Change of the calculation basis of the relevant turnover to evaluate the obligation to register for VAT in Switzerland

The most notable change is the near elimination of the turnover threshold for foreign entities doing business in Switzerland. While the turnover threshold of CHF100,000 per annum will remain in force, the global turnover will have to be included in the calculation basis, effectively resulting in an obligation for any non-established business with a total turnover of more than CHF100,000 annually to register for Swiss VAT from the first taxable turnover generated in Switzerland.

The supply of services subject to the reverse charge mechanism by foreign businesses will continue to be excluded from the turnover threshold, however particularly for companies operating in the European Union, it is worth keeping in mind that Switzerland has never adopted the so-called non-established business principle. As a consequence of this, once a foreign entity has been registered for Swiss VAT, it is obligated to levy Swiss VAT on any supplies in Switzerland, including services that would otherwise have been subject to reverse charge.

The change to the registration threshold is thus expected to have an impact not only on foreign businesses operating on a low scale in Switzerland, but also on businesses regularly selling services to Swiss recipients, as well as making occasional supplies of e.g., goods in Swiss territory.

Businesses established in Switzerland will also be affected by some of these amendments, as the turnover threshold for Swiss businesses will also include the global turnover of the company.

Swiss based businesses mostly generating turnovers abroad will thus be liable to register for Swiss VAT as well if their total turnover exceeds the CHF100,000 threshold.

Change for nonestablished entities supplying low-value goods to Swiss customers

Another amendment impacting foreign businesses is a CHF100,000 threshold which will be introduced for nonestablished entities supplying low-value goods (tax below CHF 5 per shipment) to Swiss customers. Low-value imports have previously not triggered an obligation for suppliers based abroad to register for Swiss VAT.

With the introduction of the proposed amendment, foreign businesses supplying low value goods at a total of CHF100,000 or more per annum to Swiss customers will be required to register for Swiss VAT, import the goods, and charge Swiss VAT on the sale to Swiss customers. The purpose of the proposed amendment is to ensure that nonestablished online suppliers compete on equal terms with suppliers established in Switzerland. From the proposed wording, it is not clear when the registration liability will exactly arise and whether it will be re-assessed on an annual basis.

Impact

The revised Swiss VAT Law is expected to lead to a significant increase in VAT registration obligations, primarily for foreign. Businesses operating in Switzerland should clarify their obligations under the revised VAT Law to ensure that they are compliant and do not encounter unexpected risks.

- The partial amendment of the Swiss VAT law will come into force on 1 January 2018. This will result in the following changes in VAT liability for foreign companies:
 - Tax liability for foreign companies,
 - which supply goods to Switzerland or
 - provide end users with telecommunication and electronic services,
 - will no longer be calculated based on the turnover generated in Switzerland, but rather on the turnover generated worldwide. Accordingly, if a company generates less than CHF 100,000 from services of this kind in Switzerland, and at least CHF 100,000 in turnover around the world, it will from 1 January 2018 be liable for VAT in Switzerland from the first franc of turnover.
 - Low-value shipments will still be exempt from tax upon import. However, under the new VAT legislation, (online) retailers that generate over CHF 100,000 per year in turnover in Switzerland through the supply of goods will be liable to VAT. In other words, they must charge Swiss VAT on the goods supplied.

Talk to us about your VAT situation and plans in Switzerland. We will be happy to explain the advantages, risks, costs and responsibilities that lie ahead.

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