

Leaving Switzerland: Finance, Assets and Administration

Jamal Reddani of Expatax Fiduciaire Reddani SA explains how to close or continue tax affairs, administrative matters, retirement savings accounts and real estate ownership when leaving Switzerland

The tremendous worldwide economic crisis forces companies, including in Switzerland, to be very reactive. Their decisions to close, reorganise or relocate their activities are often done so quickly that the employees concerned (and their families) have limited time to adjust.

The sudden change, due to the loss of a job in a foreign country where they have been sent, is not easy at all. Expats are usually highly qualified, yet relocating back to their original country or being transferred to another employer's branch remains, despite their HR help, very disorienting.

If you have lost your job or are being relocated to another country, the most important aspect is to minimise damage and take advantage of every opportunity that is offered by your employer and the legal system.

Based on our experience, expats concerned by the upcoming change will focus on basic things such as children's schooling, finding new accommodation and removal.

Important administrative aspects such as social security savings, taxes and current contracts, including mortgages, are postponed. The lack of safety induced by the new situation, especially when you are not in your own country, creates a reflex of wanting to leave Switzerland as soon as possible. That is most often the source of problems: the most urgent action to take is to calm down, think and try to identify your real, legal, administrative, tax and economic environment.

Based on numerous cases we deal with, we noticed that most expats in the above situation suffer financial losses and neglect their due legal rights because they are rarely properly and accurately advised at the right time.

Below are some of the major issues to focus on. Actions and processes should be done at specific times, otherwise advantages vanish, and worse, some opportunities disappear permanently!

Work/Residence Permit

If you have lived in Switzerland for a sufficient number of years, you may have been granted a C permit. It is possible to keep your permit after your departure, as long as your absence from Switzerland does not exceed a certain number of years.

The only, but unavoidable precondition is to formally make the request to the authorities **before** you leave Switzerland.

For non-EU citizens, permits are given under strong limitations. It might be an asset for you to save your future employer's HR department big efforts and unnecessary administrative annoyance trying to get you a permit, when you can simply reactivate your dormant one. The world has never been so open and the probability that you may come back to Switzerland exists. Keeping the asset of a C permit also prevents you from all tax at source troubles.

Unemployment

You can read on your salary certificate how much was deducted from your salary for unemployment premiums. Asking for indemnities is not a favor you could hope for, but is a right you have and should exercise under certain conditions. The right to claim indemnities depends, among other things, on your family situation and whether you lost your job or quit it deliberately. There might also be some substantial advantages for those who decide to change their professional status to become self-employed.

LPP Pension Fund

The "Second Pillar" savings scheme may be important, as depending on the quality of the pension fund chosen by your employer, it corresponds to your major retirement savings. It's compulsory under Swiss law, but it has the advantage of being an individual saving as opposed to the AVS "First Pillar" that globally mutualises contributions. Check on all the possibilities that are offered to you in case you lose your job. Under certain conditions the potential "buy back" may provide you with substantial tax savings. Moreover, under uncertainty, it might be preferable for you, for tax reasons, to leave your retirement savings in Switzerland.

Bonus

In most cases employers try to pay compensation when ending a work contract. A bonus may be qualified in a different way and can have tax advantages. Sometimes, because of the lack of understanding of the complex Swiss tax laws, important tax saving opportunities are missed when a discussion with your employer may be enough to bring you these advantages. Ensure, when you complete your last tax return form, that you fully understand the subtle but crucial distinction between periodical and non-periodical elements. See point Opportune Departure Date here below.

Leave Indemnity

Most of the time people are not aware of the importance of the wording on a final salary certificate and its tax consequences. The multiples ways of taxation may lead to important tax savings. The cantonal and federal laws include good opportunities in the treatment of the leave indemnity. Under certain conditions, there are possibilities to "break the tax rate" by splitting the compensation you receive on several years depending on what it's meant to compensate for example. Depending on your age, capacity and probability of finding alternative employment, the leave indemnity may be qualified as a compensation of future loss of income or loss of contribution to your second pillar and so on.

Opportune Departure Date

If you leave Switzerland in the middle of the year, tax authorities annualize your income in order to find the correct tax rates. The number of months with salaries and other potential ones without salaries impacts your final tax burden. This important fact is to be considered when you leave the country during the calendar year and not at the end of December. It is due to the fact the tax authorities can assume that you would have continued to receive the salary throughout the whole year even after you have left the country. A full understanding of the above may prevent you from an unnecessary tax hit, depending on your situation.

Swiss Real Estate Owned

You may also leave Switzerland but keep your real estate under certain conditions. Pay attention to the new tax consideration of the economic link you keep with Switzerland when you have left and your house remains here. In this case maintaining the house for your own use leads to a different type of taxation than having tenants would. If you sell the property, the capital gains tax return requires particular attention due to its complexity.

Mortgage

Breaking a fixed rate mortgage contract has to be done in some cases and requires negotiation with the bank. The less you are in a hurry to sell, the better your position is with the bank! Depending on your global situation, it might also be good to break the contract since some cantons may have in their tax practice the possibility to deduct the bank penalties.

Taxes

Expats, usually and due to their comparatively high qualifications, have good salaries, multiples of the median monthly Swiss salary of around CHF 6000 per month. Most of the time, high marginal tax rates are reached very quickly, resulting in a painful tax burden. Paradoxically, during the year you lose your job, you may receive more income (salary, bonus, indemnities, and holidays paid etc...). The goal is to protect that extra income from high taxation. If you have to leave Switzerland, study carefully all possibilities that are given to you in order to protect your interests. If you have received bonuses or indemnities, it might be useful to find ways to neutralise the substantial income increase during the year you lose or change your job by deductions such as second pillar buy-back, an opportune tax-deductible house maintenance expense in order to sell it at a good price when you are the owner, or breaking the mortgage fixed rate contract under certain conditions (see above). Thus, good tax planning is required with your tax advisor.

For further information on tax, retirement savings, administrative matters and real estate prior to leaving Switzerland, contact [Expatax Fiduciaire Reddani](#) at 022 365 22 44 or fiduciaire@reddani.ch

This article is not tax advice but only a guideline for foreign employees in Switzerland that face losing their job or relocation back home - or elsewhere. We disclaim any responsibility. Each case requires a full study by a tax adviser.

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