

GHR FactSheet

Swiss Real Estate and Taxation

With this Factsheet, we would like to provide you with a general overview to the Swiss taxes on Swiss real estate.

1. General remarks

Taxes are levied at federal, cantonal and communal level. The tax burden varies substantially across the different fiscal sovereignties.

2. Purchase of private property

Most Cantons levy a real estate transfer tax. The tax rate varies between 1.5 - 3% of the return from the sale. Depending on the Cantonal law, the real estate transfer tax shall be paid by the buyer, the seller or shall be shared between them.

3. Ownership of private Swiss property

3.1 Income tax

Swiss residents are subject to Swiss income tax on their worldwide income, except for income from properties and business units outside of Switzerland. However, the worldwide income must be considered in calculating the applicable tax rate. Non-Swiss residents are only subject to Swiss income tax on their net income derived from Swiss properties. The tax is calculated on the rental income or, if the home is used by the owner, on a notional rental value called "Eigenmietwert" (assessed by the tax authorities). Expenses incurred in the context of this income (such as costs for maintenance, renovation, insurance premiums and administrative costs of third parties as well as investments for environmental protection, saving of energy and heritage protection) may be deducted. Instead of the deduction of the actual costs for privately owned and used real estate, the owner may opt for a lump sum deduction (usually 10-30% of the relevant property income). In addition, interest paid is deductible up to a maximum equal to the total return on the tax payer's wealth plus an amount of CHF 50'000.

Since tax rates vary substantially from Canton to Canton and, within Cantons, from municipality to municipality, the choice of residence is important (maximum Cantonal and communal tax rates vary from 14% to 32%). The federal income tax rate is calculated progressively and caps at 11.5%.

3.2 Wealth tax / Real estate tax

Wealth taxes are levied at Cantonal and communal level only. There is no federal wealth tax. The tax is levied on the worldwide net assets, apart from real estate located outside of Switzerland and, in some cases, business assets in foreign countries. However, assets located abroad are considered in calculating the applicable tax rate. The tax value of real estate in Switzerland is determined by each Canton separately and can differ from the fair market value. On average, the tax value will vary between 80%-100% of the fair market value. Debts are tax deductible. Wealth tax rates are progressive and may vary between 0.1% and 0.9%.

In some cantons, a real estate tax is levied at a rate of 0.2-3‰ of the tax value.

4. Property gains tax

Capital gains on privately held movable assets are tax free in Switzerland. However, gains on privately held Swiss properties are subject to a cantonal property gains tax. The tax rates depend on the profit realized (sales price minus purchase price and value-adding expenditures) as well as the holding period. The property gains tax shall be paid by the vendor. The tax may be deferred in case of a reinvestment in a permanently and exclusively used primary home or in cases of change of ownership due to divorce, inheritance or gift.

5. Inheritance and gift tax

Inheritance and gift taxes are levied on Cantonal level only. However, the Canton of Schwyz does not levy any inheritance or gift taxes and the Canton of Lucerne renounces on levying gift taxes. Surviving spouses are tax exempted in all cantons, children in most of them. Tax rates are progressive and depend on the amount transferred and the degree of relationship. For real estate, the right to tax lies with the Canton in which the property is located. In case of inheritances or gifts to an unrelated third party, the tax rate may amount up to as much as 50%.

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