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Eidgenössisches Finanzdepartement EFD
Eidgenössische Steuerverwaltung ESTV

VAT in Switzerland for foreign companies

Swiss Federal Tax Administration



Agenda

- › Welcome and Introduction
- › Key figures and the FTA during the pandemic
- › VAT info no. 22 for foreign business

Raffaello Pietropaolo

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Niklaus Wyss



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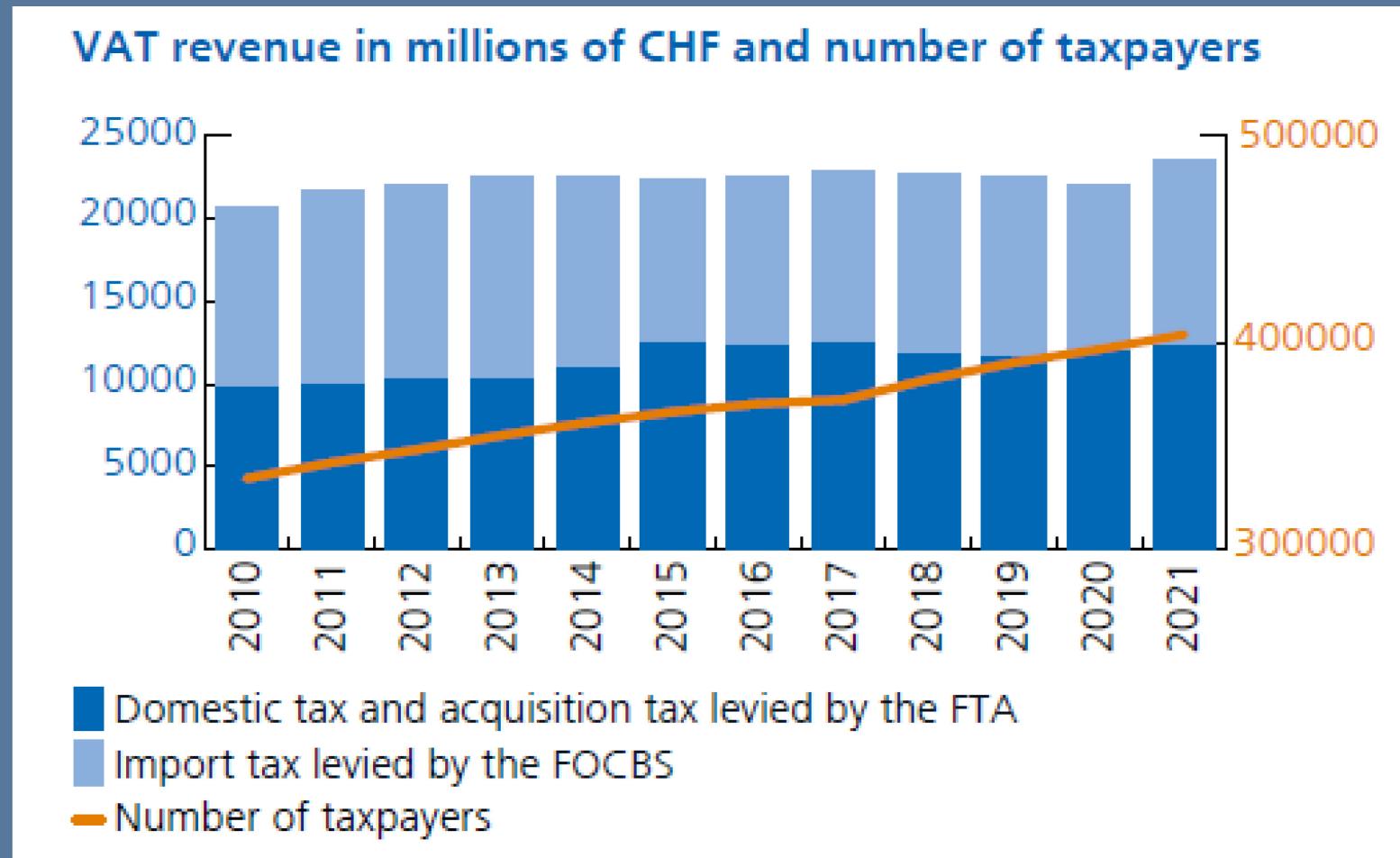
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Key figures and the FTA during the pandemic

Raffaello Pietropaolo
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Head of Swiss VAT



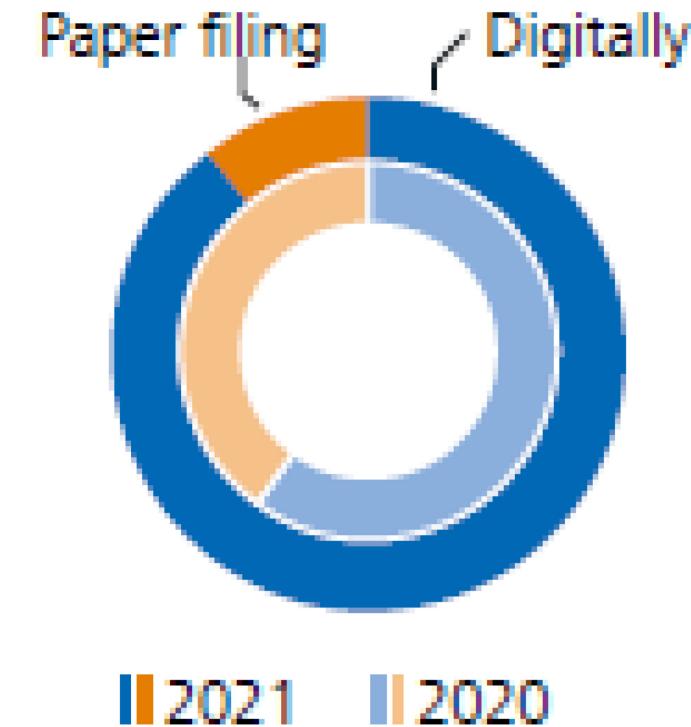
VAT revenues and number of taxpayers





Percentage of taxpayers who filed electronically

| | 2020 | 2021 |
|--------------|------|------|
| Digitally | 60.2 | 89.4 |
| Paper filing | 39.8 | 10.6 |



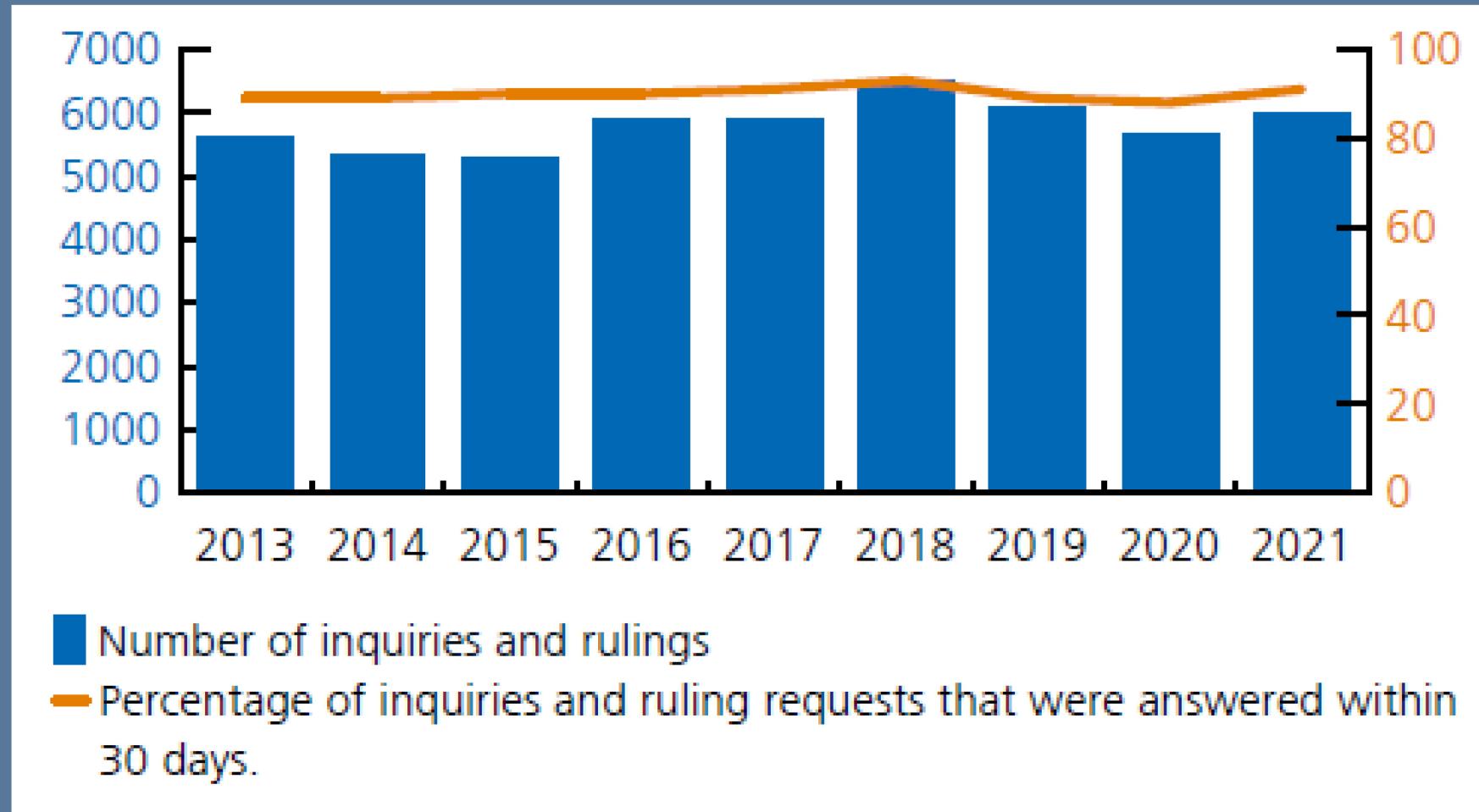


Audits

| | External audits | | Internal audits | |
|--|-----------------|---------|-----------------|--------|
| | 2020 | 2021 | 2020 | 2021 |
| Total number of audited companies | 9 620 | 9 041 | 5 303 | 5 397 |
| Additional tax levied after audits (in millions of CHF) | 192.112 | 286.957 | 66.020 | 64.698 |
| Total tax reimbursed after audits (in millions of CHF) | 77.263 | 65.383 | 7.210 | 8.330 |



Inquiries and ruling requests





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VAT info no. 22 for foreign businesses

Niklaus Wyss
Swiss Federal Tax Administration / Swiss VAT
Collection Division



Foreign Businesses Agenda

- VAT Liability for foreign businesses
- VAT Registration online: requirements
- VAT Return online: FTA SuisseTax
- Exemptions from VAT Liability
- Definitions: Supply of goods; Place of supply of goods
- Definitions: Supply of services; Place of supply of services
- Accounting records and simplified turnover declaration



Foreign Businesses VAT Liability

- Supplies of goods and/or services on Swiss territory
- Worldwide taxable turnover CHF 100,000 or more
- Worldwide taxable turnover CHF 150,000 for non-profit, voluntary sporting or cultural associations or charitable institutions
- VAT liability commences from the first time a supply is provided on Swiss territory (Art. 14/1/b VAT Act)



Foreign Businesses VAT Liability: mail-order companies

- Mail-order companies generating CHF 100,000 or more per year from small consignments transported or dispached from abroad
 - Small consignment = import tax amount up to CHF 5
- Supply of goods will be deemed as domestic supply (Art. 7/3/b VAT Act)
- Further information:
<https://www.estv.admin.ch/estv/en/home/value-added-tax/vat-tax-liability/mail-order-trade.html>



Foreign Businesses VAT Liability: telecommunication, electronic services

- Providers of telecommunication or electronic services on Swiss territory
 - **to recipients who are not VAT liable** (e.g. private individuals)
 - Worldwide taxable turnover CHF 100,000 or more

Examples:

- Internet television
- software and updates via Internet
- music downloads, as well as films and games including gambling and lottery



Foreign Businesses VAT Liability: domestic permanent establishments

- All domestic permanent establishments of a foreign business are together one taxable entity (Art. 10/3 VAT Act, Art. 7 VAT Ordinance)
A small red icon of an eye with a black outline, positioned below the first bullet point.
- The head office abroad and its foreign permanent establishments are a separate taxable entity (dual entity principle)



Foreign Businesses VAT Registration: requirements



Turnover worldwide



Turnover in Switzerland
including exempt turnover



VAT reporting method / mode



Tax representative
with place of business in Switzerland



Foreign Businesses VAT Registration: additional steps



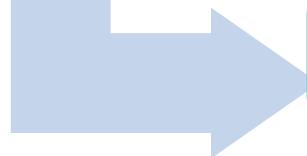
Tax Representative

Place of business in Switzerland



Security Deposit

Amount defined by the Federal Tax Administration (FTA)



Certificate of registration including VAT number



Foreign Businesses VAT Return online: FTA SuisseTax

- Account required
- Traceability with declaration history
- Easy online correction of VAT return
- Direct upload of VAT data from accounting software
- Online solutions for other taxes

Video information:

https://www.youtube.com/watch?v=3m_3k8qrSvE

VAT return online:

<https://www.estv.admin.ch/estv/de/home/mehrwertsteuer/mwst-abrechnen/mwst-online-abrechnen.html>



Foreign Businesses Exemption from VAT Liability

Providing only one or more of the following types of supplies:
(Art. 10/2/b VAT Act, or Art. 121/a VAT Ordinance)

- Goods and services exempt from tax without credit (Art. 21/2 VAT Act)
- Goods and services exempt from tax (Art. 23 VAT Act)
- Supplies of electricity in cables, gas via the natural gas distribution network and district heating to VAT liable persons on Swiss territory
- Services whose place of supply in terms of Art. 8/1 VAT Act is located on Swiss territory
 - Those who provide telecommunication or electronic services to recipients who are not VAT liable (e.g. private individuals) are **not exempt from VAT liability**



Foreign Businesses Supply of goods

Supply of goods is defined in Art. 3/d VAT Act:

- The transfer of the power to commercially dispose of a good in one's own name
- The delivery of a good on which work has been performed, even if the good is not altered by the work
- The provision of a good for use or exploitation (e.g. rental or leasing)

Please note:

Unlike EU VAT law, Swiss VAT law defines the rental of items, the performance of repairs, other work on items and their installation to be **supply of goods** and not supply of services. This impacts the place of supply and **domestic VAT liability**



Foreign Businesses Supply of goods

Supply of goods includes:

- Construction and bricklaying work, landscaping work
- Joinery and carpentry work, tiling, painting
- Installation of windows, kitchens, built-in wardrobes, electrical installations
- Demolition, cleaning, maintenance and repair work on properties
- Assembly of exhibition stands
- Cleaning of movable objects (e.g. machines)
- Installation, launch, testing, regulation, maintenance or repair of items
- Software installation at the customer's location

A foreign business that supplies such goods on Swiss territory is VAT liable



Foreign Businesses

Place of supply of goods

The place of supply of goods is defined in Art. 7/1/a VAT Act as:

- where the good is located at the time of transfer of the power to commercially dispose of it, at the time of its delivery, or at the time of its being made available for use or exploitation
- If an item is **newly produced or processed** before it is transferred to the customer, the item will **not** be deemed to have been **supplied until** it has been transferred to the customer, i.e. **after completion of the work**



Foreign Businesses

Place of supply of goods: transport or dispatch

The place of supply is the place where the transport or dispatch to the customer begins

- An item transported or dispatched to Swiss territory and **assembled** on Swiss territory (e.g. a piece of furniture): the place of supply is still the place where the transport or dispatch begins
- An item transported or dispatched to Swiss territory and **permanently installed** (e.g. built-in wardrobe or fitted kitchen): the place of supply is **domestic**



Foreign Businesses Supply of services

Every supply that is not a supply of goods is a supply of service (Art. 3/e VAT Act)

- This includes the transfer of intangible assets or rights, or when an action is omitted or an action or a situation is tolerated



Foreign Businesses Place of supply of services

- Place of domicile of the service recipient (Art. 8/1 VAT Act)

Domicile = registered office, domicile or permanent establishment

- Place of service (Art. 8/2/a–g VAT Act)



Foreign Businesses Accounting records

- When there are no separate accounting records for activities on Swiss territory:
 - a statement of receipts and expenditure and a schedule of the business assets is required (Art. 128 VAT Ordinance)
 - work aid/checklist (VAT Info 22, 6)
- Retention obligation for accounting records and supporting documents:
 - Art. 70/2-3 VAT Act, Art. 42/6 VAT Act



Foreign Businesses VAT return / Simplified turnover declaration

- In section 200 of the VAT return, foreign businesses may only declare turnover generated on Swiss territory and not worldwide turnover, declaration in CHF
- FTA recommends declaring worldwide turnover when remuneration for supplies exempt for tax without credit or subsidies was received (Art. 21/2 VAT Act, Art. 18/2/a-c VAT Act, Art. 29 VAT Ordinance)



Foreign Businesses Information / Links

- VAT Act
<https://www.admin.ch/opc/en/classified-compilation/20081110/index.html>
- VAT Ordinance
<https://www.admin.ch/opc/en/classified-compilation/20091866/index.html>
- FTA homepage in English
<https://www.estv.admin.ch/estv/en/home.html>
- Mail-order trade
<https://www.estv.admin.ch/estv/en/home/value-added-tax/vat-tax-liability/mail-order-trade.html>
- Telecommunication and electronic services
<https://www.gate.estv.admin.ch/mwst-webpublikationen/public/pages/sectorInfos/tableOfContent.xhtml?publicationId=1000066>



Thank You
===== For Your Attention =====