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## **LUMP SUM TAXATION AS FROM TAX YEAR 2021 ONWARDS: ENTRY INTO FORCE OF THE NEW LAW AFTER TERMINATION OF THE GRANDFATHERING PERIOD OF 5 YEARS**

On 01.01.2016 the new Lump Sum Taxation Law came into force at Federal and Cantonal level, applicable to new lump sum tax payers. A grandfathering period up to and including the tax year 2020 has been applied to taxpayers who on January 2016 already enjoyed the existing special regime.

From tax year 2021 onwards, the new Lump Sum Taxation Law will apply to all taxpayers resident in Switzerland, Canton Ticino, who have chosen the lump sum taxation regime.

In this regard, we refer to Article 13 of the Cantonal Tax Law and Article 14 of the Federal Law on Direct Federal Taxes as well as Circular Letter No. 44 dated 24 July 2018. Further details of the lump sum taxation can be found on our homepage [www.steimle-consulting.ch](http://www.steimle-consulting.ch) section "News&Facts" or directly [here](#).

The new conditions as from 01.01.2021 onwards, for lump sum taxpayers already resident before 01.01.2016, are mainly the following:

- At cantonal level, a wealth tax is levied in addition to income tax;
- At federal level, a minimum taxable income assessment basis of CHF 400,000.- (at cantonal level, this minimum assessment basis for income tax was introduced from 01.01.2016);
- The minimum assessment base for income tax at cantonal and federal level is CHF 400,000.- or 7 times the imputed rental value of the own property or annual rent paid (up to and including the tax year 2020 this is 5x the imputed rental value or rent paid);
- In Canton Ticino, the wealth tax base is at least five times the income tax base, i.e. minimum CHF 2,000,000.-;
- If the actual value of the Swiss assets is higher, the higher effective value applies.

In principle, every lump sum taxpayer should clarify whether seven times the imputed rental value or rent paid results in a higher income tax base.

In a second step, the taxable assets should be calculated according to Article 13 of the Cantonal Tax Law.

It could well be that in certain cases a change to ordinary taxation may be advantageous.

We are at your disposal to assess and value your future taxation in order to determine the best tax regime tailored to your personal situation.

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