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## UPDATE REGARDING SWISS TAX LAW

### THE SWISS SPOUSES AND FAMILY TAX REFORM

The present information note deals with the possible future transition from the current joint taxation of married persons to individual taxation of each spouse.

In an income taxation system with progressive tax rates, unequal tax treatment of married or registered couples (who declare their income and assets jointly) compared to de facto couples may arise, especially when similar incomes are earned. In fact, there is often a lower tax burden for married persons than for unmarried persons living together, although the economic conditions are equal.

Nevertheless, the unequal distribution of income between spouses may make the difference compared to cases where income is divided rather equally between them. In the latter case, additional tax burdens for the married couples may result.

With the proposed tax reform, the Federal Council aims to eliminate the unequal tax treatment described, thereby enabling the spouse to earn his or her own additional income or to increase his or her remuneration by benefitting from a lower tax burden. In other words, the aim is to provide a tax incentive for a spouse to take up or increase his or her employment if he or she earns a second income.

The draft of the Federal Act on Individual Taxation, for which the Federal Council opened the consultation procedure on 02.12.2022, envisages the following:

- distribute assets and income between married couples according to civil law;
- implement a tax correction for spouses with only one or a second modest income. For spouses without children and with a single income, a deduction for direct federal tax of CHF 14,500 is envisaged, which decreases with increasing secondary income.
- increase the tax deduction for married parents at direct federal level from CHF 6'600 today to CHF 9'000 for each child;
- provide for a deduction of CHF 6,000 for one-person household and single-parent families (a kind of compensation for household management costs, as households with at least two people benefit from cost savings).

The political process of enacting the proposed Federal Law is far from being short, and each Canton (having its own Cantonal tax rates) will independently introduce the individual taxation into their own cantonal tax systems (Swiss Federalism). Each spouse will have to fill out his own annual tax return.

The Canton Ticino, and indirectly its municipalities, will determine not only the transposition of the Federal Law into their own Cantonal tax legislation, but also to modulate the tax rates and the respective deductions to determine the financial repercussions for the Canton and the municipalities. The repercussions at the federal level are already estimated at a shortfall in tax revenue of around CHF 1 billion.

The tax reform is not supposed to enter into force before 1<sup>st</sup> January 2026.

**For further information on the above, please do not hesitate to contact us**

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