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LUMP-SUM TAXPAYER WITH LIMITED WORK ACTIVITY ABROAD: EXEMPTION FROM SWISS SOCIAL SECURITY CONTRIBUTIONS AND HEALTH INSURANCE

1. Introduction
2. Requirements and procedure for exemption from Swiss social security contributions (OASI)
3. Requirements and procedure for exemption from Swiss health insurance (KVG)

1. Introduction

Provided that the necessary conditions are met, foreign nationals can choose Switzerland, specifically the Canton of Ticino, as their country of residence, benefiting from a **simplified lump-sum taxation** system based on expenditure (also known as forfait taxation). However, under this regime, the taxpayer is not permitted to engage any lucrative activity in Switzerland. For a more detailed analysis on this topic, please refer to the following article on our website: [Lump sum taxation](#).

What is less commonly known, however, is that for foreign nationals under the age of 65, the expenditure-based taxation **does not exempt** the taxpayer neither from OASI (Old-Age and Survivors' Insurance) contributions, which can amount to a maximum of CHF 26'500 per year per individual, nor from the compulsory **health insurance** (KVG).

Nevertheless, in certain cases it is possible to apply for exemptions from both social security contributions and Swiss health insurance. Below, we outline the requirements and procedures for obtaining such exemptions.

2. Requirements and procedure for exemption from Swiss social security contributions (OASI)

The requirement to refrain from any lucrative activity on Swiss soil is often a key factor influencing the decision of wealthy taxpayers, particularly those who are professionally or entrepreneurially active abroad, whether or not to move to Switzerland to take advantage of the lump sum tax regime.

In this regard, Swiss authorities allow for limited employment or self-employment activity abroad (ranging from 25% to 40%). However, it is essential that the individual resides in Switzerland for more than 6 months per year maintaining their vital centre of interest in Switzerland. Interested parties must inform the authorities about their foreign activities, specifying the company they work for and the number of days per year they will need to spend abroad for work.

Additionally, the relevant authorities will periodically request documents, such as monthly payslips and proof of social security contributions paid by the foreign employer, to verify the work activity and the individual's enrolment in the foreign social security system.

For individuals with limited work activities abroad (exceeding 25%) within the EU/EFTA region, the applicable social security conventions between Switzerland and EU/EFTA states (Regulation (EC) No. 883/2004 and Regulation (EC) No. 987/2009) allow the taxpayer to be insured under the social security system of the foreign state. To avoid double contributions to both countries, the taxpayer can apply for an A1 certificate in the foreign state and submit it to the Swiss authorities to be exempt from Swiss social security (OASI) contributions.

By meeting these conditions, the taxpayer can simultaneously engage in a (limited) work abroad, avoid substantial social security burdens in Switzerland and still benefit from the expenditure-based taxation regime.

3. Requirements and procedure for exemption from Swiss health insurance (KVG)

Under the above-mentioned European social security regulations, when an individual (and the family members) resides in Switzerland but works in an EU/EFTA country, he or she is typically covered by the health insurance system of that foreign state.

In such cases, if certain conditions are met, it is possible to apply for an S1 certificate from the relevant foreign authorities. This certificate allows the individual to remain enrolled in their existing health insurance abroad and receive an exemption from compulsory Swiss health insurance, provided they present the certificate to the Swiss authorities.

This arrangement enables a lump sum taxpayer to access the necessary medical treatments in Switzerland through the local healthcare system, while avoiding the need to take out Swiss health insurance and pay the associated premiums.

However, we recommend consulting with your health insurance provider to fully understand the existing coverage in Switzerland. This will help avoid unexpected costs if specific treatments or services are needed.

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

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