



## Information leaflet

### The most important tax deductions at a glance

#### Introduction

The most significant factor for the calculation of tax is the **net income** from employment (line item 11 in the yearly salary statement). There are also various deductions that can be made in the tax declaration. These reduce the amount of taxable income and therefore the amount of tax to be paid.

Although deductions for the direct federal tax are the same throughout Switzerland, deductions at the cantonal and community levels are regulated differently. As a rule, cantons and communities allow the same kind of deductions as those of the federal tax. However - as with tax rates - there are large differences in the allowed amounts of deductions.

Precise information on deductible amounts can be found in the "Wegleitung zur Steuererklärung" (Instructions for filing a tax declaration) from the canton. In general, one must attach the relevant receipts to the tax declaration when wanting to make a deduction, but this does not apply to lump-sum professional and social deductions.

#### Examples of tax deductions

**Work related expenses:** Employed persons can deduct work related expenses such as those of commuting to work. As a rule, public transportation passes and lump-sum amounts for bicycles or small motorized bikes are included under commuting expenses. Under certain conditions, the kilometers driven to the workplace can be deducted when one is using a private vehicle. As from 2016 the federation and several cantons have introduced limits for the travel deduction.

Other work-related expenses include the additional costs for eating-out at lunch time, as long as one cannot go home for lunch because there is a considerable difference between home and work place. These are lump-sum deductions (CHF 15 per working day, respectively CHF 7.50 if the employer has a canteen or provides lunch checks); you do not need to keep receipts.

Deductions are also possible for shift or night work. For further work-related expenses such as costs for work clothing, tools or professional literature there is a flat rate deduction. If the actual costs can be proven to be higher than the flat rate deduction, the tax payer may deduct the actual costs.

**Weekly commuters** may take certain additional deductions for travelling between their home and their weekly residence as well as a limited amount for accommodation and meals during the week.

**Alimony payments:** Alimony payments for children and partner can be deducted.

**Payments into pillar 3a:** Payments into pillar 3a are tax deductible up to the maximum allowed amount. For employed persons with an employer pension plan, the maximum allowed amount for 2015 and 2016 is 6'768 francs. Self-employed and those without an employer pension plan may contribute up to 20% of

their net income up to a maximum of 33'840 francs. Pillar 3a profits from tax privileges (savings are not part of taxable income and wealth; repayments are taxed separately from the other income at a low rate).

**Interest on debt:** Loan interest payments – for example for mortgages or bank or private loans – may be deducted from income. This applies only to interest payments and not for principal payments used to pay back a loan (amortization). Leasing costs also cannot be deducted.

**Insurance premiums:** Premiums for health, accident, life and pension insurance can be deducted up to a certain amount. For the direct federal tax, the maximum possible deduction is 1'700 francs for single tax payers or 3'500 francs for married tax payers which includes proceeds from bank and savings accounts.

**Interest on bank and savings accounts:** Interest for balances on bank and savings accounts can be deducted up to a certain maximum amount (see also Insurance premiums).

**Reclaim withholding tax:** When bank or savings account interest is posted, under some circumstances only 65 percent is credited. In this case the bank transfers 35 percent of the interest to the tax authorities. On providing the account numbers on the tax declaration, the withholding tax is reimbursed. Withholding tax is applied only to accounts for which the amount of interest exceeds 200 francs. In addition to interest from accounts, interest from other sources such as bonds (including medium-term notes), lottery winnings (starting at 50 francs) and dividend payments are subject to withholding tax.

**Contributions to non-profit organizations:** Donations to non-profit organizations can be deducted.

**Paying into a pension fund:** Voluntary payments into the professional pension fund for missing contribution years can be deducted. Certain restrictions apply in the first 5 years after entering Switzerland.

**Disability costs:** People with physical or mental disabilities can make certain deductions for extra expenses. Disability organizations such as Pro Infirmis offer free consultation on this matter.

**Employment of both spouses:** In the case of both spouses being employed, a deduction up to a certain amount is also possible.

**Expenses for illness and accidents:** Certain expenses for medical services not covered by health insurance are tax deductible.

**Deductions for children:** A deduction can be made for every child who is underage or still in their initial professional training. For the direct federal tax, this deduction is 6'400 francs per child. There are also deductions possible for external childcare, if both spouses are working.

**Expatriates deductions:** Certain expats may profit from special professional deductions in the first five years after entering Switzerland, if they meet the criteria of the Expatriates ordinance. For more information please see the special leaflet on this topic on our homepage.

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If you have any questions, please do not hesitate to contact us

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