



# RELIANCE TRUST

## SWISS REFERENDUM NEW FEDERAL INHERITANCE TAX REJECTED

### A POSITIVE OUTCOME

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On 14 June 2015, the Swiss electorate voted against<sup>1</sup> a proposal to amend the Swiss constitution and introduce a federal inheritance and gift tax of 20 per cent. The outcome of the vote means that the country will remain attractive for wealthy foreigners and local businesses.

### THE PROPOSAL

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Under the federal proposal a 20 per cent inheritance and gift tax on estates worth more than CHF 2 million and on gifts of CHF 20,000 per recipient per year would have been introduced. The proposed rate of 20 per cent would apply to everyone, regardless if the recipient is related or unrelated to the deceased/donor (e.g. children and third parties). There would only be a valid exemption for spouses and for tax-exempt entities such as charitable organisations. If the inheritance or gift consists of a business, the transfer would be taxed at a reduced rate if the business is carried on for at least ten years.

The bill also included a retroactive clause, whereby all gifts made after 1 January 2012, would have to be added, for tax purposes, to any inheritance from the same donor/estate, and would trigger tax at 20 per cent on the amount exceeding CHF2 million.

### THE EXISTING INHERITANCE AND GIFT TAX SYSTEM

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Switzerland's 26 cantons have the exclusive power to levy inheritance and gift taxes: no tax is levied at the federal level. The inheritance and gift taxes levied depend on the relationship between the deceased/donor and the beneficiary. In most cantons, no inheritance and gift tax is levied between spouses and between parents and children. The exceptions are the cantons of Vaud, Neuchatel, Appenzell Rhodes-Intérieures and Geneva for persons benefiting of the lump sum taxation regime (a favourable tax regime for foreign nationals)<sup>2</sup>.

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<sup>1</sup> 71% voted against the proposal

<sup>2</sup> Find out more about the lump sum tax regime : <http://www.step.org/swiss-lump-sum-taxation>

## CONCLUSION

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If the proposal had been accepted, the fear was that wealthy individuals would leave the country and wealthy foreigners would no longer immigrate to Switzerland. Furthermore, small - and medium - sized businesses in Switzerland would have suffered and it would have led to businesses closing and unemployment.

The outcome of the vote is positive. The Swiss population clearly understood the economic risks of this proposal. By retaining a system whereby inheritance and gift taxes are levied based on the relationship between the deceased/donor and the recipient, and by having no inheritance and gift tax (in the majority of cantons) between spouses and between parents and children, Switzerland retains a system that is fair and attractive.

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### Reliance Trust

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