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LEAFLET

Expatriates

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Appendix Excerpt from the legislative brochure "Canton Aargau. Location on the move. Growth initiative launch brochure (2005)";
(download at [Wachstumsinitiative](#))

1. Subject

This leaflet deals with special expenditures, deductible as professional expenses, of managerial employees and specialists who are sent to another country at the direction of their employer to perform temporary work (so-called expatriates).

2. Legal Bases

Deductibility of professional expenses for remunerative salaried employment is regulated in section 35 of the StG [*Steuergesetz*, or Tax Act] and sections 12 ff of the StGV [*Verordnung zum Steuergesetz*, or Tax Act Ordinance] for canton and municipality taxes. For direct federal taxes, art. 26 DBG [*Bundesgesetz über die direkte Bundessteuer*, or Swiss Federal Act on Direct Federal Taxation] and the Professional Expenses Ordinance and Expatriates Ordinance of the Swiss Federal Department of Finance (EFD) are definitive.

Tax-related treatment of special expenditures of expatriates in Canton Aargau is shaped by measure no. 16 of the growth initiative of the legislature (clause 8, appendix).

3. Area of Application

Managerial employees who are sent to Switzerland temporarily by their foreign employer, as well as specialists who are working as employees in Switzerland for the purpose of completing a project that has a time limit, are subject to the instructions in this leaflet. Additional professional expenses arise for employees of that type, as compared to normal remunerative salaried employment.

Persons who maintain connections with a second country (legal residence or permanent home) in addition to Switzerland are entitled to assert special professional expenses in accordance with this leaflet.

The temporary or time limit situation is considered to be a maximum period of time of 5 years.

4. Special Professional Expenses that are Deductible

Managerial employees and specialists in the terms of clause 3 are essentially entitled to deduction of normal professional expenses in accordance with the legal provisions and Professional Expenses Ordinance of the EFD.

The following apply as additional special deductible professional expenses of expatriates **residing in a foreign country**:

- Normal travel costs between the foreign legal residence and Switzerland;
- Necessary costs of accommodation in Switzerland;
- Reasonable living expenses in Switzerland upon demonstrable maintenance of a permanent home abroad.

The following apply as additional special deductible professional expenses of expatriates **residing in Switzerland**:

- Costs of the move and the trip to Switzerland and back abroad;
- Reasonable living expenses in Switzerland upon demonstrable maintenance of a permanent home abroad;
- Reasonable expenses for minor children to attend a foreign-speaking private school, if public schools do not provide adequate instruction.

A flat rate of 15 % of gross wages, but only to a maximum amount of 30,000 CHF annually, may be arranged by ruling for living expenses, in place of the individual case certification of effective living expenses.

Deduction of special professional expenses is allowed if the expenses are paid by the expatriate alone and not reimbursed by the employer.

If the expatriate pays special professional expenses himself for the time being, but the expenses are reimbursed by the employer with proof, these expenses constitute effective expenses which are not part of taxable gross wages. If the expatriate pays the special professional expenses himself and the expenses are reimbursed by the employer as a lump sum, the tax authority is authorized to examine the lump sum arranged with regard to its appropriateness, as far as the expenses were not established in a ruling with the tax authority. For this purpose, the tax authority may demand proof of the effective expenses.

5. Confirmation Obligation

Employer compensation to managerial employees and specialists within the scope of special professional expenses of expatriates must be confirmed in the wage statement (RZ [recital] 57 and RZ 60 of guide for filling out wage statement).

6. Non-Deductible Expenses

The following items are never deductible:

- Expenses of a permanent home abroad;
- Expenses for furniture and fixtures and for incidental living expenses in Switzerland;
- Additional expenditures due to the higher price level or higher tax burden in Switzerland;
- Expenses for legal and tax consultation.

Expense Contribution By Employer Toward Furniture and Fixtures

A contribution provided by the employer toward expenses for furniture and fixtures in Switzerland essentially constitutes a taxable wage element, since furniture and fixture expenses are classified as private living expenditures. However, if the legal residence or permanent home is maintained abroad and its furniture and fixtures are not brought to Switzerland, a reasonable employer expense contribution toward furniture and fixtures must be recognized as reimbursement of occupational expenses.

Expenses for Legal and Tax Consultation in Switzerland

Expenses for legal and tax consultation essentially count as private living expenditures. However, for expatriates, these expenditures have a certain relation to professional work in Switzerland. Employer assumption or reimbursement of these expenses must therefore be recognized as reimbursement of occupational costs.

7. Deductible Expenses for Taxation at Source

The following amounts may be deducted as special professional expenses from monthly gross wages (incl. possible lump sum expenses) for expatriates taxed at source:

- 1,800 CHF per month for singles
- 2,500 CHF per month for married persons living together
- 2,500 CHF per month for singles with children in the same household

All expenses connected with temporary work in Switzerland are compensated for with these lump sums. If the employer effectively reimburses the special professional expenses of expatriates taxed at source after the expenditure or pays for them himself, this is considered effective reimbursement of expenses which must not be charged to gross wages. In this case, deduction of a lump sum does not apply.

Appendix

Economic Policy of the Legislature

In 2005, the legislature passed 25 economic policy measures which serve to maintain and improve the most important location factors of Canton Aargau (growth initiative; download at [Wachstumsinitiative](#)).

In the area of resident- and company-friendly tax policy, Measure no. 16 states:

The practice in defining deductible professional expenses for qualified employees who are working in Switzerland for a limited time or are sent abroad (so-called inpatriates and expatriates) is administered in a more generous manner.

This has a demanding effect on the labor market and increases the attractiveness of Canton Aargau, in terms of taxes for private individuals.