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FAQ CH-VAT

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FAQ Swiss VAT

Taxable establishments

A company is liable to register with VAT when the billed sales of its taxable products and services exceed CHF 100,000.00 per annum (Art. 10 para 2 lit. a VAT Act). Special rules apply to foreign companies and not-profit-organizations (Art. 10 para 2 lit. b and c VAT Act). These limits are strictly enforced, even a few francs beyond the limits are sufficient for a tax liability. Companies not subject to VAT should rather stop generating sales when they come near the turnover limit (while registering for the oncoming year as a VAT tax payer), rather than having to pay over unrecoverable and unplanned value-added taxes afterwards.

Taxable supplies

Subject to value added tax are domestic supplies of goods and services (Art. 18, para 1 VAT Act). Article 21 VAT Act lists the tax-exempted goods and services. Cash receipts for sold equipment are subject to VAT taxation. Money transfers between accounts are of course exempt from VAT.

Tax Rates (as from Jan 1st, 2011)

The standard VAT rate is 8% (previously 7.6%). The reduced tax rate of 2.5% (previously 2.4%) is used for tap water, food, livestock, poultry, fish, grains, seeds, animal feed, fertilizer, pesticides, medicines, and printed materials (Art. 25, Para 1 and 2 VAT Act). Up to 31st December 2013, the tax on accommodation services shall be 3.8% (previously 3.6%) (Art. 25, Para 4 VAT Act).

Requirements for billing

A VAT Act-compliant invoice must include the name and address of issuer and receiver, the VAT number of the issuer and the date or period, type, purpose and scope of the services as well as the amount and the VAT rate applied. Not necessary is that the tax amount is explicitly worked out. For receipts, the address of the recipient may be waived provided the amount does not exceed CHF 400.00 (Art. 26 VAT Act i.c.w. Art. 57 VAT Ordinance).

Prerequisites for VAT inputs

VAT inputs will only be granted where the receipt or invoice comply to the requirements of the Federal Tax Administration, ie the issuer, the VAT number and the applied tax rate are included. For documents exceeding CHF 400.00, the address of the recipient must be included, too. For documents in foreign currency, the exchange rate published by the FTA is to be used for the conversion (Art. 45 para 3 VAT Ordinance).

Expenses which do not qualify as VAT inputs

Expenditures incurred for purely private use do not qualify as VAT inputs. The same is true for pleasure events without customer presence (eg annual company getaways). In addition, sailing and motor boats, motorcycles and private aircraft which are not directly related to the business purpose, do not qualify as tax inputs.

Settlement

The VAT is usually settled quarterly. For this, the report "turnover tax return" from Rema Fibu is created. The timing of the settlement should be as close as possible to deadline for submission, as otherwise some entries for the relevant period shall not be included, and perhaps forgotten to change their data to the next period. The settlement will turn out incorrectly after a change in the VAT rate, if several VAT rates for the same VAT code are used simultaneously, as the program (due to a bug) only covers the first VAT rate. The only remedy is to delete the no longer required VAT rates within the tax code. The "turnover tax return", is to be printed with the individual accounts. The statements of each account on the VAT return, having a balance other than zero, shall be attached to the printout.

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Settling according to fees collected or agreed charges

When settling according to the agreed fees (which is the ordinary case), the tax and tax inputs are based on accounts payable, respectively accounts receivable. The determining factor is the relevant invoice date. When settling according to fees collected, VAT and VAT inputs are only worked out on when the respective payments are made or received. Settling according to fees collected is especially indicated if the suppliers are paid promptly, but the customers pay slowly (for instance crafts, construction, health care). In all other cases, the settlement according to agreed charges is more advantageous, because the tax inputs can be immediately invoked and accounting is much easier.

Net taxation

For small businesses, the VAT settlement may be facilitated if a net tax rate is granted. In this case, the total revenue (according to fees collected) is multiplied by the net tax rate. The calculation of sales * tax rate is therefore different from the regular VAT calculation, where the tax amount is calculated by the formula revenue / (1 + tax rate) * tax rate. For this reason, most computer programs are not able to create correct VAT settlements. I therefore recommend recording the sales only at receipt of payment, multiply the half-year revenue with the tax rate and create a manual accounting entry for the tax amount: Revenue to VAT.

Relevant laws

Relevant for the VAT are the following, on http://www.admin.ch/ch/d/sr/64.html#641.20 available laws:

VAT Act (Bundesgesetz über die Mehrwertsteuer/Mehrwertsteuergesetz, MWSTG), SR 641.20

VAT Ordinance (Mehrwertsteuerverordnung vom 27. November 2009, MWSTV), SR 641.201

Ordinance of the Federal Tax Authority on the net tax rates (Verordnung der ESTV vom 8. Dezember 2009 über die Höhe der Saldosteuersätze nach Branchen und Tätigkeiten), SR 641.202.62