Expat Finance Guide to Switzerland

FORTH CAPITAL

Introduction

Switzerland offers British expats a unique mix of economic stability, exceptional healthcare, world-class education, and stunning scenery.

However, its unique financial environment requires preparation to ensure a smooth transition. This guide breaks down the key considerations that need to be addressed from a financial perspective when relocating to Switzerland, providing practical advice and insights for expatriates.

Tax Considerations as a British Expat in Switzerland

Switzerland's tax system differs significantly from the UK, with income tax, wealth tax, and other levies applied at federal, cantonal, and municipal levels.

Key Considerations

1. **Income Tax**: Swiss income tax rates are generally. lower than in the UK but vary significantly between cantons. For example, Zug and Schwyz have lower rates, whereas Geneva is among the highest. Use Tax Calculator Switzerland to estimate your tax liabilities.

2. **Double Taxation Treaty**: The UK-Swiss Double Taxation Agreement prevents double taxation on income and capital gains. Learn more about this treaty on the UK Government Website.

3. **Wealth Tax**: Swiss cantons impose a wealth tax on worldwide assets for residents, varying from 0.1% to 1.0%. Non-residents are taxed only on Swiss assets. For a breakdown of tax rates by canton, visit the Swiss Federal Tax Administration Website.

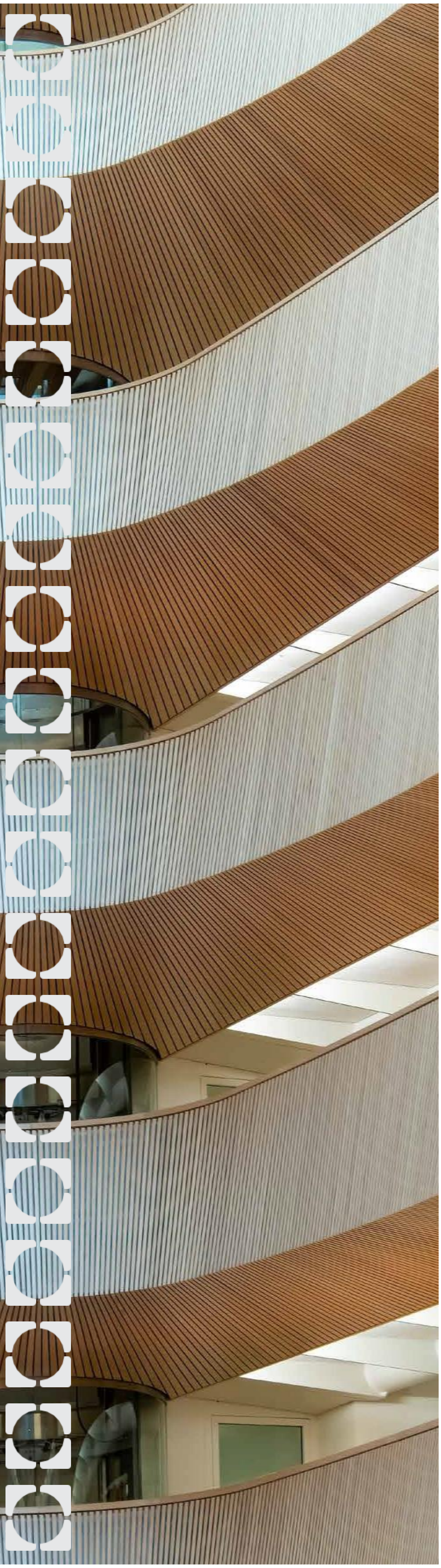
4. **Capital Gains and Losses**: Private capital gains derived from sales of movable assets are not taxed at the federal level or at the cantonal level. Capital gains derived from sales of immovable assets are subject to a separate tax in all cantons.

   For federal tax purposes, a gain or loss from a sale or exchange of business assets is treated as ordinary income or an expense item.

   And whilst there is essentially no Swiss equivalent to the UK's Capital Gains Tax (CGT) whilst living in Switzerland, it's important to note that if you subsequently leave Switzerland to relocate back to the UK, this could significantly impact your CGT liability -as assets that remain 'unwrapped' for tax purposes could be subject to punitive taxation.

   It's critical therefore to consult with a **dual-qualified international financial planner** to discuss your circumstances and how the use of a tax wrapper (such as an offshore bond for example) could help shelter your assets from exposure to CGT.

"Early financial planning is essential in Switzerland's multi-layered tax system" - Robert Harris, Director



5. **Inheritance and Gift Taxes**: No inheritance or gift taxes are imposed at the federal level. Almost all cantons levy separate inheritance and gift taxes, with rates varying dependent upon the canton where the deceased or donor is domiciled - but it's important to note that in all 26 cantons, no inheritance tax is levied if the assets are passed to the deceased or donor's immediate family.

   In terms of your UK Inheritance Tax (IHT) liability, one of the most significant changes confirmed in the UK 2024 Autumn Budget was a shift from the current 'domicile' based system of IHT to a new 'residence' based system. Under this new residency basis of IHT an individual will not be treated as a 'long-term resident' for inheritance tax purposes in the tax year following 10 consecutive years of non-UK residence, meaning that their global non-UK assets will then be outside the scope of IHT.

   The effective date for this reform is 6 April 2025, representing a compelling opportunity to protect your assets from IHT, which under current legislation would see up to 40% of your wealth paid to HMRC, rather than being passed on to your family and beneficiaries.

   To understand more about establishing and maintaining your non-UK tax resident status, how to managing your assets and estate to mitigate IHT exposure, and to put in place a long term financial plan to protect your wealth, **contact us today**.

6. **Forfait Taxation**: Forfait taxation, also known as 'lump-sum taxation', is a tax regime offered to qualifying foreign nationals who move to Switzerland. Instead of being taxed on worldwide income and assets, individuals are taxed based on their deemed annual living expenses in Switzerland, typically derived from a multiple of the rental value of the individual's Swiss property.

   Eligibility for forfait taxation is limited to foreign nationals who are not employed in Switzerland and have not been residents in the country for the past ten years. This ensures the system is tailored to attract wealthy individuals who can contribute to the local economy without engaging in local employment.

   Forfait taxation is available in most cantons, including Geneva, Vaud, Berne, Schwyz, Zug and Grison. The rules and tax rates for forfait taxation vary significantly across Switzerland's cantons, allowing for tailored agreements depending on the Canton's specific policies and priorities. However, in recent years the cantons of Zurich, Appenzell Ausserrhoden, Basel-Stadt, Basel-Land and Schaffhausen have abolished their forfait taxation regime.

Swiss Pensions: Understanding the Three-Pillar System

The Swiss Pension System is regarded as one of the best in the world, but it's important to understand the benefits each of the 'three pillars' provide, and the financial planning opportunities they represent.

Pillar 1
AHV/AVS State Pension

The AHV/AVS ('Alters-und-Hinterlassenenversicherung' 'Assurance Vieillesse et Survivants') is the Swiss state pension scheme.

Contributions are mandatory for all residents and employees in Switzerland. Self-employed individuals are required to fund their share.

The AHV/AVS provides a foundational level of income on retirement, but it is unlikely to be sufficient to maintain a pre-retirement standard of living.

Pillar 2
BVG Occupational Pension

The second pillar is a workplace pension scheme, designed to supplement the state pension.

- **Contributions:** Funded by both employer and employee, contributions are mandatory for those earning over CHF 22,050 annually (as of 2025).
- **Flexibility:** Accumulated pension funds can be transferred when leaving Switzerland or potentially accessed early under certain conditions (e.g. home purchase, starting a business).
- **Tax Efficiency:** Contributions to Pillar 2 are tax-deductible, reducing your taxable income during your working years.

  Upon retirement, pension benefits are taxed at a reduced rate compared to income tax.

  Investing excess funds into your Pillar 2 (and 'buying back' pension gaps) can offer significant tax relief for high earners seeking to optimise their Swiss tax position.

Pillar 3
Pillar 3a and 3b Private Pension

The third pillar allows individuals to voluntarily enhance their retirement savings.

- **Pillar 3a:** Tax-efficient savings account with annual contribution limits (CHF 7,056 in 2025 for employees).

  Contributions are fully tax-deductible, lowering your taxable income.

  Withdrawals are taxed at a preferential rate upon retirement or when leaving Switzerland permanently.
- **Tax Efficiency:** Pillar 3a is particularly advantageous for high-earning expatriates. Regular contributions can lead to substantial tax savings over time. Strategic withdrawals upon retirement, staggered across several years, can further reduce tax liabilities.
- **Pillar 3b:** Flexible savings and investment options with fewer tax benefits. Contributions are not tax-deductible, but there are generally no restrictions on withdrawals.

"Maximise your Swiss Pillar 2 and Pillar 3 pension contributions to build your retirement funds and reduce your tax liability" – Robert Harris, Director

Realising the potential of your Swiss pensions on leaving Switzerland

Many expats are not aware that having accrued Swiss pension assets whilst living and working in Switzerland, they can subsequently have these assets refunded or transferred if they leave the country.

Pillar 1
AHV/AVS State Pension

As an expat, if you leave Switzerland and are relocating to a country that has a reciprocal social security agreement in place with Switzerland[1], whilst the value of your Pillar 1 Swiss state pension contributions can not be refunded, your financial advisor can help you to define the transferred income benefit you will receive at retirement, as part of your holistic retirement planning.

If you re-locate to a country that does *not* have a reciprocal social security agreement in place with Switzerland, you can apply for the reimbursement of your Pillar 1 state pension contributions.

To qualify, you must have moved permanently away from Switzerland, paid into the pension for at least a year and not made any withdrawals from it.

Generally, you can only apply for a refund up to five years after leaving Switzerland and any lump sum payment will only cover the termination value of the State Pension. Married couples must make separate refund applications. Any refund will be paid into an overseas personal bank account.

[1] As at 1 February 2025 Switzerland has reciprocal social security agreements with the European Union states; Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden; the EFTA (European Free Trade Association) countries; Iceland, Liechtenstein and Norway; and also; Australia, Bosnia and Herzegovina, Canada, Chile, China, India, Israel, Japan, Macedonia, Montenegro, Philippines, San Marino, Serbia, South Korea, Turkey, **the UK**, the USA. and Uruguay.

Pillar 2 and Pillar 3 Withdrawals

Under Swiss pension rules, the assets held in your Pillar 2 or Pillar 3 Pensions belong to you, as the individual holding the account, and as such you can claim a cash refund before leaving Switzerland, or from overseas once you have left. Claims for Pillar 2 and Pillar 3 Pension refunds require proof of your date of departure from Switzerland and if you are married, written agreement from your spouse to close the scheme.

It's important to understand that the location of the pension has the potential to make a significant difference to the tax you pay on your lump-sum pension withdrawal. Because Switzerland is a confederation divided into 26 cantons, with each canton having the power to set its own tax rate, what you pay when you cash in your Pillar 2 or Pillar 3 Pension depends on the Withholding Tax rate set by the canton where the pension is domiciled.

Expats often live and work in the higher taxed cantons, like Geneva and Zurich, but you have the right to move your pension to a lower taxed canton before moving your money overseas.

Forth Capital can help you to minimise the amount of withholding tax you incur when moving the funds out of Switzerland.

To find out how much withholding tax we could help you save could save, to maximise the value of your withdrawal, use our online Withdrawal Comparison Calculator.

"From our offices in Geneva and the UK, Forth Capital's dual qualified advisors can provide expert advice on the tax-efficient transfer, withdrawal, and reinvestment of your Swiss pension assets to maximise their value."

Tom Tracy, CEO

Financial Planning and Wealth Management as a British Expat in Switzerland

As a British expat in Switzerland, strategic financial planning is essential to secure your financial freedom, grow and protect your wealth, and to mitigate currency risk and cross-border financial complexities.

1. **Investment Planning:** Switzerland offers tax-efficient investment vehicles, such as Pillar 3a accounts, and a UK/Swiss dual-qualified international financial planner can provide advice on the best investment strategies to adopt, as a British expat in Switzerland, to grow and protect your wealth. To book an initial consultation **click here**.

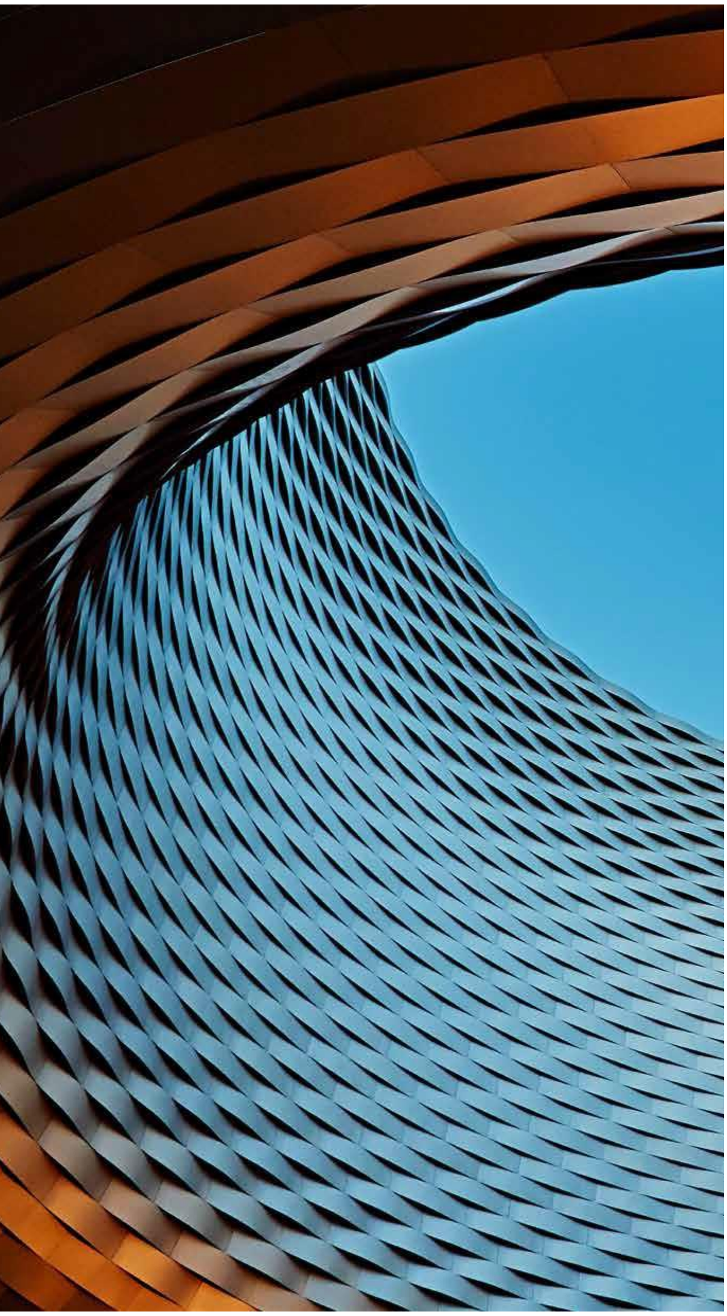
2. **Estate Planning:** It's important to ensure that Wills are compliant in both UK and Swiss jurisdictions. UK expats should also work with a UK/Swiss dual-qualified international financial planner to ensure that they mitigate their Swiss [cantonal] and UK inheritance tax liabilities.

3. **Currency Risk:** With the Pound having fallen in value by 53% in relation to the Swiss Franc since January 2001 [and 24% in relation to the Euro], currency risk has the potential to significantly impact the value of your UK pension funds held in Pounds Sterling (GBP), diminishing their buying power and the lifestyle they afford you, if you plan to retire abroad.

   At Forth Capital, we want to mitigate your exposure to currency risk. One of the ways in which we can help you do this is by exchanging the currency in which you hold your funds to the currency that you will spend in retirement. However, we understand that your plans can change, and even having retired abroad, the pull of family and familiarity can eventually result in a return home. The most important thing therefore is to have flexibility and the option to save and invest in different currencies, with the expertise of an **international financial planner** to help you make the right decisions every step of the way.

Cost of Living in Switzerland

Switzerland's cost of living is among the highest in the world, particularly in the major cities; Zurich, Geneva, and Basel. While salaries are also high, it is crucial to plan carefully.



"Secure housing before relocating. The market is competitive and references are often required."

– Forth Capital Client, Geneva

Key Considerations

To compare rent, healthcare, and other living costs in different cantons, cost-comparison tools such as Comparis.ch can be used to get a sense of your overall monthly expenses.

Healthcare: Switzerland's healthcare system is world-class, but it differs significantly from the NHS in that private insurance is mandatory. Premiums vary by canton; an adult might pay between CHF 300 and 400 per month for basic coverage. Family coverage can easily exceed CHF 1,000 a month. Some expats report paying as much as CHF 1,400 per month for comprehensive family coverage.

Housing: CHF 5,000 - 7,000 per month for a family apartment in prime urban centres.

Groceries: A family of four could spend between CHF 600 and 800 per month.

Budgeting for your children's education: Swiss Private and International school fees are very high and therefore may necessitate careful planning and budgeting. Your employer may be paying for your children's schooling as part of your contract, but even if this is the case ensure that you have a clear understanding of the potentially significant extra-curricular fees.

Cost of Living Post Retirement: Due to the high cost of living in Switzerland, most UK expats stay in the country until their children finish school, or until retirement, but the majority do not remain in Switzerland post-retirement. Instead, they often move over the border to France or Italy, or return to the UK, where the Swiss 'pillar' pension funds accrued whilst living and working in Switzerland can provide a comfortable lifestyle.

If you are considering a return from Switzerland to the UK in retirement, be mindful of new UK residence rules announced in the UK Autumn Budget, and how these could impact your UK inheritance tax (IHT) liability.

Speak to an international financial planner to ensure that your retirement plans do not result in your assets being exposed unnecessarily to IHT.

To discuss how we can help you to grow and protect your wealth as a British expat in Switzerland, book a consultation today with one of Forth Capital's dual-qualified international financial planners.

FORTH CAPITAL

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