

Frequently asked questions tax return

What assets must be declared in the tax return?

In the Swiss tax return, all worldwide assets must be declared. This also includes assets such as bank accounts with low or zero balance, children's bank accounts, balances at services like Revolut, Wise, etc., credit cards with a balance in your favour, cryptocurrencies, life insurances with a surrender value, joint fund of property owners / renovation fund ("Erneuerungsfonds") and other accounts run by the property manager ("Betriebskonto") for property owners in Switzerland, etc.

What income must be declared in the tax return?

All worldwide income must be included in the tax return. The main items are salary, income from social insurances and pensions, interest and dividend earnings and rental income. Please note that also income such as staking and mining rewards from cryptocurrencies, compensation for electricity fed into the grid, royalties, and license income, etc. must be declared in the tax return.

Donations and inheritances must be included in the tax return, however, in many cases they are not taxable income in Switzerland. The declaration then only serves to explain the wealth increase to tax office.

Do foreign pension assets have to be declared in the Swiss tax return?

Foreign pension assets do not have to be reported in the Swiss tax return if they are equivalent to the Swiss Pillar 2 or Pillar 3a pension assets, i.e., for Pillar 2 that they are in connection with employment (where both the employer and the employee contribute), blocked until retirement and taxed upon withdrawal, and for Pillar 3a that the pension asset is funded with pre-tax money, blocked until retirement, and taxed upon withdrawal. If these conditions apply must be checked individually.

Common non-taxable foreign pension schemes are 401(k), 403(b), Traditional IRA, Rollover IRA, Australian Superannuation Fund and many Canadian RRSP.

Roth IRA, Roth 401(k), UK ISA, and NI Premium Bonds are considered taxable assets and the value and earnings must be declared in the tax return and are taxed in Switzerland.

Please note that withdrawals and payments from the tax-exempt pension schemes are in turn taxable in Switzerland in most cases.

Tax savings

For most taxpayers the simplest way of saving on taxes is to contribute to Pillar 3a. Contribution to Pillar 3a is possible for both employed and self-employed taxpayers. The maximum contribution is limited by the government and the contribution can be deducted in full from the taxable income.

In addition, please make sure to claim all applicable deductions and provide the respective documentation, e.g., childcare expenses, expenses for professional education, real estate maintenance expenses, debts, debt interest, etc. Property owners in Switzerland usually receive a statement from the property administrator listing the deductible expenses.

Charitable donations can be deducted in the tax return if they are made to a Swiss charity recognized by the cantonal tax authorities. Donations to foreign charities cannot be deducted, however, if the donation is made to a foreign charity, which is also recognized in Switzerland (e.g., WWF, Amnesty International) a deduction may be possible.

It is also possible to deduct support for persons in need. However, usually the requirements for the deduction are quite strict and must be supported by relevant documentation.

Other potential tax savings include voluntary contributions to your Pillar 2. For the requirements and the potential tax savings we are happy to discuss further.

Contributions to Pillar 2 and Pillar 3a are usually not recommended for US persons.

Is it better to send the tax documents to Colfina per post or electronically?

In principle, you can send your documents electronically and in paper form. We recommend sending the documentation electronically if your tax return shall be filed online, as in many cantons the tax documentation can also be submitted electronically. Documents in paper form thus first must be scanned, which increases the time required for the preparation of the tax return. When sending the tax documentation electronically, please make sure that all scans are in a good quality and in PDF format.

How shall the tax documents be provided electronically?

We offer secure documentation via our web-based document sharing platform (“Colfina Cloud”, <https://cloud.colfina.ch>). The cloud offers more convenient and secure document sharing than e-mail or third-party platforms (e.g., Google Drive, Dropbox, etc.). To use the Colfina Cloud, please contact us and we will set up your account and folder. You can then upload your tax documents to the folder and notify us once you have uploaded everything. After the tax return is prepared, we will put the copy for your files in the folder as well. For additional information please refer to the instructions available on our website.

How long will the documents remain in the Colfina Cloud?

As the Colfina Cloud is meant to be used as a sharing platform, the documents cannot be kept indefinitely. We keep the right to delete tax documents from the folder after the completion of the tax return. Therefore, please keep relevant files also on your private system and download the completed tax return a.s.a.p.

By which date should the tax documents be provided to Colfina?

Based on our experience we request that tax documents are provided at least three months before the filing deadline to make sure that there is time for preparing the tax return as well as clarifying any questions.

What does it mean to sign the representation form?

By signing the representation form you request that tax office contacts us directly for any questions in connection with your tax return and sends all correspondence including tax assessments, provisional and final invoices, account statements, etc. to us. We will then review the correspondence and forward it to you. For this service our hourly fees as per the tariff apply.

How can the fees for preparing the tax return be reduced?

In order to reduce the costs for the preparation of the tax return it is recommended to send the tax documentation as complete and clear as possible. We can save time if all documents are sent at the same time. You can help us by organizing the tax documentation in folders or by giving them suitable file names. By avoiding sending unnecessary documents, we will need less time reviewing the documentation.

In general, documentation for all income and deductions should be provided as well as documentation on value and earnings for all assets.