

The tax shield and wealth tax in Geneva

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Geneva's wealth tax is among the highest in Switzerland and, combined with income tax, can absorb a very large share of the income of a wealthy taxpayer whose assets yield little return. To limit this effect, the canton applies a capping mechanism, the tax shield, which limits the total burden of cantonal and communal taxes on income and wealth to a set proportion of taxable income, with a rule prescribing a minimum return on wealth.¹ This mechanism, introduced in the early 2010s, is regularly the subject of political debate.

For wealth planning, the wealth tax and its cap have concrete consequences. The composition of the estate, the split between income and capital gains, the level of debt and the location of assets all influence the tax burden. Private capital gains on securities are in principle not taxed in Switzerland, which is an advantage for investors, subject to classification as a professional securities dealer.² This exemption sets Switzerland apart from many countries and partly offsets the wealth tax.

Practitioners must also take account of the valuation of assets for wealth tax purposes, in particular holdings in unlisted companies, real property and works of art, the valuation of which follows specific rules. Debates on raising the wealth tax or replacing it with a tax on capital gains recur regularly in Geneva and federal politics.

1 Notes

1. Republic and Canton of Geneva, "Le bouclier fiscal" (The tax shield) (ge.ch, "Vos impôts" dossier): "taxes on wealth and on income – including cantonal and communal surcharges – may not in total exceed 60% of net taxable income"; net return on wealth taken into account at no less than 1% of net wealth; exclusion of persons taxed on an expenditure basis, of taxpayers with economic affiliation domiciled

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abroad and of persons assessed ex officio; calculation on the taxpayer's worldwide elements. ↩

2. Art. 16 para. 3 of the Federal Act on Direct Federal Taxation (DFTA; SR 642.11; lexfind.ch): "Capital gains realised on the disposal of private assets are not taxable". ↩

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