

Tax law and the taxpayer's perspective

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Three questions of tax law arise from Plan B. The first, the payment of taxes, has been answered above: the city accepts payment in bitcoin and USDT for the municipal tax and its other invoices, while the cantonal and federal taxes collected by the canton remain payable in francs through ordinary channels.¹ The second concerns the taxation of the Kryptowerte und Digital Assets that taxpayers use for such payments. Under Swiss tax practice they are part of the taxable wealth of natural persons, valued at the year-end rates published by the Federal Tax Administration in its price list, and gains on their disposal are tax-free capital gains on private assets under Art. 16 para. 3 of the Federal Act on Direct Federal Taxation unless the taxpayer qualifies as a professional trader.² Using bitcoin to pay a tax invoice is a disposal like any other. Companies realize taxable gains or deductible losses.

The third question concerns value added tax. The Swiss Federal Tax Administration treats payment tokens such as bitcoin as means of payment, so that their exchange against francs or other currencies is exempt from VAT and a merchant who accepts bitcoin owes VAT on the price of the goods or services, converted into francs at the time of the transaction.³ For Lugano merchants this means that acceptance of bitcoin or USDT does not alter their VAT position, provided that they record the franc value of each payment. A merchant who keeps the coins and later sells them realizes a gain or loss that enters the business result.

1 Data protection and transparency

Payments on a public blockchain are visible to anyone. When a taxpayer pays a municipal invoice in bitcoin, the transaction from his wallet to the intermediary's address is recorded permanently on the blockchain. The city and the intermediary know which invoice, and therefore which person, stands behind which transaction. That knowledge allows the intermediary

to fulfil its anti-money laundering duties. It also creates a link between a public blockchain address and an identified taxpayer that does not exist when the same invoice is paid by bank transfer. Taxpayers who value financial privacy, a motive often cited by advocates of bitcoin, should be aware that paying a public authority in bitcoin reduces their privacy.

For the city, the processing of payment data by Bitcoin Suisse is a form of outsourcing that the cantonal law on data protection governs.⁴ On the other side, the city is subject to the cantonal law on information and transparency, which gives the public a right of access to official documents, subject to exceptions. The memorandum of 2026 expressly makes its confidentiality clause subject to "public transparency obligations".⁵ Implementing agreements, cost statements and figures on the use of the payment system are therefore in principle accessible to the public on request, and the publication of such figures would allow a more precise evaluation of the programme than the sources currently permit.

2 Notes

1. City of Lugano, press release of 5 December 2023 (above); laRegione, "Il Cantone apre ai bitcoin" (above). ↩
2. Federal Act on Direct Federal Taxation of 14 December 1990, SR 642.11, Art. 16 para. 3 ("Die Kapitalgewinne aus der Veräusserung von Privatvermögen sind steuerfrei"), <https://www.droit-bilingue.ch/de-fr/6/64/642.11-16-19.html>; Swiss Federal Tax Administration, "Kryptowährungen – Besteuerung" and Arbeitspapier Kryptowährungen, version of 3 August 2022, <https://www.estv.admin.ch/estv/de/home/direkte-bundessteuer/dbst-fachinformationen/kryptowaehrungen.html> (year-end values in the ESTV price list; gains in private assets in principle tax-free; possible self-employed activity depending on frequency and scope of transactions). ↩
3. Swiss Federal Tax Administration, VAT information on payment tokens as means of payment. ↩
4. Legge sulla protezione dei dati personali, RL 163.100 (above), Art. 16 (processing by another public body or by third parties on behalf of the responsible body), <https://m3.ti.ch/CAN/RLeggi/public/index.php/raccolta-leggi/legge/num/50>. ↩

5. Memorandum of Understanding ... Phase II (above), final provisions; Legge sull'informazione e sulla trasparenza dello Stato (LIT) del 15 marzo 2011, RL 162.100, Art. 2 (applicable to municipal assemblies and councils, Municipi and municipal administrations) and Art. 9 (right of every person to consult official documents), <https://m3.ti.ch/CAN/RLeggi/public/index.php/raccolta-leggi/legge/num/56>. ↩

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