

Taxation according to expenditure

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)

The best-known Swiss instrument for wealthy immigrants is taxation according to expenditure (*Besteuerung nach dem Aufwand*, *imposizione secondo il dispendio*), commonly called lump-sum taxation. At federal level it is governed by Art. 14 of the Federal Act on Direct Federal Taxation (DBG, SR 642.11) and at cantonal level by Art. 6 of the Federal Act on the Harmonization of Direct Taxes of the Cantons and Communes (StHG, SR 642.14) and the cantonal tax laws. Natural persons may opt for it if they do not have Swiss citizenship, take up tax residence in Switzerland for the first time or after an absence of at least ten years, and do not pursue gainful activity in Switzerland.¹ Where spouses live together, both must meet these conditions. The tax is assessed on the taxpayer's worldwide annual living expenses and those of his or her dependants. The base must be at least the highest of three amounts: a minimum fixed by law, which the Federal Act of 28 September 2012 set at CHF 400,000 for the direct federal tax with effect from 2016 and which is adjusted to inflation (CHF 421,700 from 2023 and CHF 435,000 from the 2026 tax period according to cantonal guidance); seven times the annual rent or rental value of the taxpayer's home; or three times the annual price of board and lodging for persons living in hotels.² A control calculation ensures that the tax is not lower than the ordinary tax on certain Swiss-source income and assets, including income for which the taxpayer claims relief under a double taxation convention. The reform of 2012 raised the multiple of rent from five to seven, and existing arrangements were maintained only until the end of 2020.³

In figures. At the end of 2012, 5,634 foreign nationals were taxed according to expenditure in Switzerland, contributing about CHF 700 million a year to the Confederation, cantons and communes. Most of them lived in Valais, Vaud, Geneva and Ticino.⁴ In the federal vote of 30 November 2014, 59.2 per cent of voters and 25 of the 26 cantons rejected the popular initiative "Stop tax breaks for millionaires", which would have abolished

the regime.⁵ Ticino counted 725 lump-sum taxpayers at the end of 2024, 42 fewer than in 2022, while the cantonal and communal revenue from them rose by CHF 6 million over the same period.⁶

The political legitimacy of the regime has been contested. Several cantons, among them Zurich, abolished or restricted it by cantonal vote, while the national electorate confirmed it in 2014.⁷ The debate repeats, in modern terms, the tension between the city that wished to attract foreign capital and the guilds that feared unequal treatment. A practitioner advising a family must take into account that lump-sum taxation excludes gainful activity in Switzerland, that the control calculation and treaty rules can reduce its advantage where the family has significant Swiss-source income, and that some treaty partners, including Italy and Germany, impose conditions for treaty benefits on taxpayers under the regime. The Swiss-Italian rules are discussed in Chapter H.III.

1 Notes

1. Amt für Steuern des Kantons Uri, Merkblatt über die Besteuerung nach dem Aufwand, valid from 1 January 2026, https://www.ur.ch/_doc/439772 (consulted 4 October 2026). Federal Act on Direct Federal Taxation of 14 December 1990 (DBG), SR 642.11, Art. 14(1)–(2), <https://www.droit-bilingue.ch/de-fr/6/64/642.11-14-17.html> (consulted 5 October 2026): no Swiss citizenship, unlimited tax liability "erstmalig oder nach mindestens zehnjähriger Unterbrechung", no gainful activity in Switzerland; spouses living together must both meet the conditions. Federal Act on the Harmonization of Direct Taxes of the Cantons and Communes of 14 December 1990 (StHG), SR 642.14, Art. 6. ↩
2. Uri, Merkblatt (above): minimum of CHF 435,000; seven times the annual rent or rental value; three times the annual price of board and lodging. MLL Legal, "Swiss Lump Sum Taxation", memorandum of 2 December 2014, https://mll-legal.com/wp-content/uploads/2019/12/Swiss_Lump_Sum_Taxation_-_MLL_Memo.pdf (consulted 4 October 2026): federal minimum of CHF 400,000 and seven times the rent from 2016. Art. 14 DBG in the version of the Federal Act of 28 September 2012, in force since 1 January 2016, <https://www.droit-bilingue.ch/de-fr/6/64/642.11-14-17.html> (consulted 5 October 2026): the base is at least the highest of the amount in para. 3(a), seven times the annual rent or rental value, three times the annual price of board and lodging, and the Swiss-source

income and assets listed in para. 3(d); para. 5 extends the control calculation to income relieved under a double taxation convention; para. 6 requires the indexation of the amount in para. 3(a). The consolidated text shows CHF 421,700 in the version of the ordinance of the Federal Department of Finance of 16 September 2022 on cold progression, in force since 1 January 2023. ↩

3. MLL Legal, "Swiss Lump Sum Taxation" (above): previously five times the rent; existing arrangements valid until 2021 (that is, until the end of the 2020 tax period). Art. 205d DBG, inserted by the Federal Act of 28 September 2012, in force since 1 January 2016 (AS 2013 779), <https://www.droit-bilingue.ch/de-fr/6/64/642.11-205d-232.html> (consulted 5 October 2026): for persons taxed according to expenditure at the entry into force, the former Art. 14 continued to apply "während fünf Jahren". ↩
4. swissinfo.ch, "Rich foreigner tax perks tipped to stay", 20 November 2014, <https://www.swissinfo.ch/eng/politics/rich-foreigner-tax-perks-tipped-to-stay/41126106> (consulted 4 October 2026). ↩
5. MLL Legal, "Swiss Lump Sum Taxation" (above): 59.2 per cent against and 25 of 26 cantons opposed; swissinfo.ch (above), on the name of the initiative. ↩
6. RSI, "Ticino: meno globalisti ma più entrate fiscali nel 2024", 26 September 2025, <https://www.rsi.ch/info/ticino-grigioni-e-insubria/Ticino-meno-globalisti-ma-pi%C3%B9-entrate-fiscali-nel-2024--3147723.html> (consulted 4 October 2026). The article also reports that the minimum base had been indexed to CHF 429,100. ↩
7. swissinfo.ch, "Rich foreigner tax perks tipped to stay" (above): "Several cantons, including Zurich, have already voted independently to either scrap or tighten up lump sum tax." Wikipedia (German), "Pauschalbesteuerung", <https://de.wikipedia.org/wiki/Pauschalbesteuerung> (consulted 5 October 2026; used as a last resort): "Im Februar 2009 führte eine Initiative der Alternativen Liste im Kanton Zürich zur dortigen Abschaffung der kantonalen Pauschalsteuer", with 52.9 per cent in favour; Schaffhausen, Appenzell Ausserrhoden, Basel-Landschaft and Basel-Stadt followed. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/lugano-taxation-according-to-expenditure