

Withholding tax and taxation at source for private individuals

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Investors in Swiss companies quickly encounter the 35 per cent withholding tax deducted from dividends and interest. Foreign employees meet a related mechanism, taxation at source on their salary. Both systems work as advance collection and can usually be corrected later, provided the correct steps are taken.

1 The 35 per cent withholding tax

Under the Federal Act on Withholding Tax (VStG), withholding tax is levied on income from movable capital, including dividends from Swiss companies and interest on bonds issued by Swiss debtors (Art. 4 VStG). The rate is 35 per cent. The paying company deducts the tax and pays it to the Federal Tax Administration, so the investor receives only 65 per cent of the gross amount.

2 Full refund for Swiss residents

Persons resident in Switzerland are entitled to a full refund, provided they declare the income and the underlying assets in their tax return. In practice the refund is credited against cantonal taxes or paid out by the canton. Investors who omit the income risk losing the refund, which makes the withholding tax an effective safeguard for complete declarations. Newcomers should therefore list their Swiss securities carefully from the first year.

3 Treaty refunds for non-residents

Investors resident abroad may reclaim part of the tax if their state of residence has a double taxation agreement with Switzerland. The treaty fixes a residual rate, frequently 15 per cent for portfolio dividends and lower

for substantial participations in some treaties. The refund is requested from the Federal Tax Administration with proof of residence and beneficial ownership, within a limitation period. Without a treaty the 35 per cent remains a final burden.

4 Taxation at source for foreign employees

Foreign employees resident in Switzerland who do not hold a settlement permit (C permit) are taxed at source on their employment income (Art. 83 DBG). The employer deducts the tax from the salary according to cantonal tariffs that reflect marital status and number of children. Once a person obtains a C permit or marries a Swiss citizen or C permit holder, ordinary assessment applies.

5 Subsequent ordinary assessment

Persons taxed at source are subsequently assessed under the ordinary procedure if their gross employment income reaches a threshold set by the Federal Department of Finance, currently CHF 120,000, or if they have income or assets not covered by the source tax (Art. 89 DBG). Persons below the threshold may request ordinary assessment, which is advisable when deductions such as pension buy-ins or pillar 3a contributions are planned. The request must be filed within a short deadline after the end of the tax year, and once ordinary assessment applies it continues for later years.

6 What pays off in practice

- **Declare every Swiss dividend and interest payment** together with the securities, so the refund is never at risk.
- **Check treaty residual rates** before investing from abroad and keep residence certificates ready for refund claims.
- **Weigh the request for ordinary assessment** if you are taxed at source and intend to use deductible pension contributions.

7 How Ressos Legal helps

I advise private investors and internationally mobile employees on withholding tax refunds, source taxation and the transition to ordinary assessment. [Contact me](#) for a first conversation.

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.

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