

## Taxation according to expenditure in Zug

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For wealthy foreign nationals who do not work in Switzerland, the canton offers the taxation according to expenditure, the lump-sum regime described in Part B. In Zug, the legal basis is section 14 of the cantonal tax law, supplemented by section 4 of the ordinance to the tax law. The tax on wealth is levied on a base of at least twenty times the base for the income tax.<sup>1</sup>

According to the cantonal government, 127 taxpayers were taxed according to expenditure in the canton in 2016, 146 in 2020 and 143 in 2021. Their total tax payments rose from 24.2 million francs in 2016 to 33.3 million francs in 2020 and 35.7 million francs in 2021, of which 21.7 million francs went to the canton and the communes. The canton's share of all persons taxed according to expenditure in Switzerland rose from about 2 per cent in 2006 to about 3 per cent in 2018.<sup>2</sup> The figures show that the regime concerns a small number of persons, whose average tax payment of about 250,000 francs a year is, however, far above that of ordinary taxpayers.

The canton examines the conditions of the regime before the taxpayer moves to Zug. Through an advance ruling, it confirms that the taxpayer does not intend to engage in gainful activity in Switzerland and agrees the tax base, after which it monitors compliance through annual declarations.<sup>3</sup> The prohibition of gainful activity in Switzerland is strict: the taxpayer may manage his own wealth, but he may not work as an employee, run a business or hold board mandates with remuneration in Switzerland. The practitioner must ensure that the client understands and respects this limit, since its violation leads to ordinary taxation, possibly with retroactive effect.

The regime is compared, for the purposes of the tax base, with a control calculation: the tax payable according to expenditure must be at least as high as the ordinary tax on certain Swiss-source income and assets, such as Swiss real estate, Swiss securities and Swiss pensions.<sup>4</sup> Foreign-source

income can also affect the regime where the taxpayer wishes to claim treaty benefits, since some double taxation treaties require that the foreign income be subject to ordinary taxation in Switzerland. The modified lump-sum taxation addresses this requirement.<sup>5</sup>

## 1 Notes

1. Kanton Zug, Regierungsrat, answer to the interpellation of the SP parliamentary group on taxation according to expenditure, Vorlage Nr. 3294.2, Laufnummer 16873, 22 February 2022, [kr-geschaefte.zug.ch](http://kr-geschaefte.zug.ch): legal basis in § 14 of the Zug tax law and § 4 of the ordinance to the tax law; taxable wealth at least twenty times the income tax base; pre-approval rulings assess non-employment status before residency, with annual declarations monitoring compliance. ↩
2. Kanton Zug, Regierungsrat, answer to the interpellation on taxation according to expenditure, 22 February 2022: 127 taxpayer units in 2016, 146 in 2020 and 143 in 2021; tax revenue of CHF 24.2 million (2016), CHF 33.3 million (2020) and CHF 35.7 million (2021), of which CHF 21.7 million to the canton and the communes; Zug's share of Swiss lump-sum taxpayers increased from about 2 per cent (2006) to 3 per cent (2018). ↩
3. Kanton Zug, Regierungsrat, answer of 22 February 2022: pre-approval rulings (Steuerrulings) assess non-employment status before residency, with annual declarations monitoring compliance. ↩
4. Art. 14 para. 3 DBG (SR 642.11), text consulted via [swissrights.ch](http://swissrights.ch): the tax base is at least the gross income from Swiss sources, including Swiss real estate, movable property and capital invested in Switzerland and Swiss pensions; ESTV, Circular No. 44 "Besteuerung nach dem Aufwand bei der direkten Bundessteuer", 24 July 2018, [estv.admin.ch](http://estv.admin.ch), section 3.3.4: control calculation under Art. 14 para. 3 lit. d DBG covering Swiss real estate, movable property, capital invested in Switzerland, intellectual property, Swiss-source pensions and foreign income for which treaty relief is claimed. The parallel provision of the StHG (Art. 6 para. 3 lit. d) was not separately checked. ↩

5. ESTV, Circular No. 44 "Besteuerung nach dem Aufwand bei der direkten Bundessteuer", 24 July 2018, [estv.admin.ch](https://www.estv.admin.ch/estv/de/home/steuern/versteuern/versteuern-und-absetzen/versteuern-und-absetzen.html), section 5.2: under the treaties with Belgium, Germany, Italy, Norway, Canada, Austria and the United States, the income from the source state must be treated as if ordinarily taxed in Switzerland (so-called modified taxation according to expenditure). ↩

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