

# Tax News

## Switzerland's tax-related and economic measures in response to COVID-19

In view of the huge economic uncertainties and acute liquidity crisis facing many businesses and individuals as a result of the global spread of COVID-19, the Swiss Federal Council on March 20, 2020 launched a comprehensive package of measures to cushion the financial fallout from the pandemic's extraordinary impact. The package totals CHF 40 billion and also contains immediate liquidity relief for the economy. The Finance Delegation of the Federal Councils will deliberate on the package in the week beginning March 23, 2020.

This newsletter summarizes the tax-related and economic support measures announced in Switzerland so far.

Numerous other countries have decided on similar measures to support their economies and social peace in the past several days. For an overview of these measures, please see the publication of March 20, 2020 by our international TAXAND network, "Summary of measures announced in response to the spread of COVID-19".

[Link to the TAXAND Publication](#)

### Tax measures

#### 1) Deferred payment terms

##### *Direct federal tax and cantonal/communal taxes*

The relief measures provide that no interest on arrears will accrue between March 1, 2020 and December 31, 2020 for late payments of the direct federal tax bills due in that period. This applies to individuals as well as legal entities.

As regards the cantonal/communal tax, only some cantons have decided to temporarily waive any interest on arrears (such as the Canton of Ticino). It is expected that other cantons will follow the federal example.

Some cantons have decided to suspend tax debt

enforcement proceedings until further notice (such as the Canton of Zurich).

Independently of any such measures, it is possible to apply for deferred payment terms or payment by installments for both the direct federal and the cantonal/communal taxes.

##### *Withholding tax and stamp duties*

The temporary waiver of interest on arrears does not apply to the federal withholding tax and stamp duties. This is very unfortunate given the high rate of interest on arrears (5%) charged for these taxes.

### *Value-added tax (VAT)*

As regards the VAT, customs duties as well as special taxes and steering duties (tobacco, alcohol, beer, vehicle, fuel, and mineral tax), the interest rate on arrears will be set at 0% until December 31, 2020. However, taxpayers are still obligated to submit their tax statements within the statutory deadline.

In practice, this means that companies liable for VAT will benefit from interest-free bridging loans – provided that they achieve turnover.

## **2) Automatic deadline extension for tax returns**

Various cantons have set automatic deadline extensions for tax returns. The situation in selected cantons is as follows:

### *For individuals*

- Aargau: deadline extension until May 31, 2020
- Appenzell Ausserrhoden: deadline extension until May 31, 2020
- Basel-Stadt: deadline extension until May 31, 2020
- Fribourg: deadline extension until June 30, 2020
- St. Gallen: deadline extension until May 31, 2020
- Schaffhausen: deadline extension until June 30, 2020
- Schwyz: deadline extension until May 31, 2020
- Solothurn: deadline extension until July 31, 2020
- Ticino: deadline extension until June 30, 2020
- Valais: deadline extension until May 31, 2020
- Zurich: deadline extension until May 31, 2020

### *For legal entities*

- Ticino: deadline extension until September 30, 2020

## **3) Extended stay of deadlines in civil and administrative proceedings**

From March 21 to April 19, 2020, a general stay of deadlines applies to all federal and cantonal civil and administrative proceedings, provided that court holidays are usually factored into such proceedings. The regular stay of deadlines that usually applies to the Easter holiday has de facto been extended to April 19, 2020.

It needs to be noted, however, that this stay of deadlines does not apply to direct taxes (income and wealth taxes as well as profit and capital taxes). This means that in the case of legally binding deadlines, a loss of rights may result if legal remedies are not invoked in time. As regards the administrative deadlines, it can be expected that the authorities will allow for a certain leeway.

## **4) Availability of tax authorities**

### *Federal Tax Administration*

The Federal Tax Administration continues its operations. However, it is not contactable to the usual degree and recommends communicating by e-mail.

### *Cantonal tax administrations*

The counters of the tax administration in most cantons are closed until further notice but they can be contacted by mail, e-mail, and telephone in most cases. The tax authority of the Canton of Ticino has suspended its operations until March 27, 2020. The same applies to the Canton of Vaud, although it is not known when operations will resume.

## Economic measures

### 1) Measures at federal level

#### *Deferred payment terms for social security contributions*

Companies and self-employed people can apply for an interest-free deferment of the payment terms for their social security contributions. It is also possible to have the payments on account adjusted to the current economic situation.

#### *Guaranteed COVID bridging loans*

To help SMEs (sole proprietorships, partnerships, legal entities) suffering from the COVID-19 fallout to obtain bridging loans from the banks, the Federal Council will launch a credit guarantee program of CHF 20 billion. Affected businesses are to get access to fast credit of up to 10% of their sales, but no more than CHF 20 million. The program provides that the banks pay out amounts of up to CHF 0.5 million immediately, which will be 100% guaranteed by the Swiss government. Loans exceeding this threshold are to be guaranteed by the Swiss government at 85% of the amount, subject to a brief examination by the banks. The government will submit the corresponding urgent funding allocation to the Finance Delegation of the Federal Councils for approval in the next few days. The ordinance will follow in the coming week.

#### *Temporary stay of enforcement in debt collection*

From March 19 to (and including) April 4, 2020, a general stay of enforcement in debt collection applies. This means that debt collection proceedings are not possible at the moment, in the whole of Switzerland.

#### *Expansion and simplification of short-time work*

The conditions for the compensation of short-time work will be broadened and applying for it will become easier:

- Compensation for a reduction in work is now also possible for staff in fixed-term employment and for people working for a temporary placement organization; people in apprenticeships; and employees who occupy a position comparable to that of an employer.

- The already shortened waiting period for short-time work compensation will be abolished. This means that employers no longer financially contribute to work-loss compensation.
- Employees no longer have to reduce the accrued overtime before they can benefit from short-time work compensation.

#### *Compensation for income loss of self-employed people and employees*

Self-employed people who suffer a loss of income because of official measures taken to contain the coronavirus outbreak (e.g. who are in quarantine on doctor's orders) can get compensation for loss of income if they are not already being compensated or covered by corresponding insurance.

Parents who have to stop working because they need to care for their children following the closure of schools are entitled to compensation. The right to compensation also exists where gainful work is suspended because of isolation imposed by a physician.

#### *Further measures*

The aid package of the Federal Council also provides for immediate relief in the cultural domain, for support to sports organizations, tourism, and regional policy as well as for expanded flexibility in applying the Employment Act to hospitals and health clinics.

### 2) Cantonal measures (in selected cantons)

#### *Canton of Aargau*

On March 20, 2020, the cantonal government of Aargau launched an aid package totaling CHF 0.5 billion. It is designed to extend immediate support to those companies and businesses particularly hard hit by the COVID-19 pandemic (SMEs; hospitality and tourism services; trade and commerce; cultural institutions; etc.). Implementation shall be coordinated with the measures adopted at federal level.

*Canton of Basel-Landschaft*

On 19 March 2020, the cantonal government and the cantonal bank of Basel-Landschaft announced an aid package to soften the blows to the economy from the coronavirus crisis. It consists of credit guarantees totaling CHF 100 million plus rapid relief of CHF 85 million that the bank will extend to its clients.

*Canton of Bern*

On March 20, 2020, the cantonal government of Bern adopted an emergency ordinance in support of the economy and society, parts of which became effective on March 21, 2020. The government thus laid the legal foundation for using a range of instruments to provide financial relief to the canton's health service providers, industrial SMEs, other commercial enterprises, and self-employed people.

*Canton of Zurich*

On March 19, 2020, the cantonal government of Zurich released an aid package for immediate economic relief: CHF 425 million to guarantee bank loans to SMEs, CHF 15 million in rapid relief to self-employed people, and CHF 28 million for charitable organizations active in cultural, social, sport, and educational areas.

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