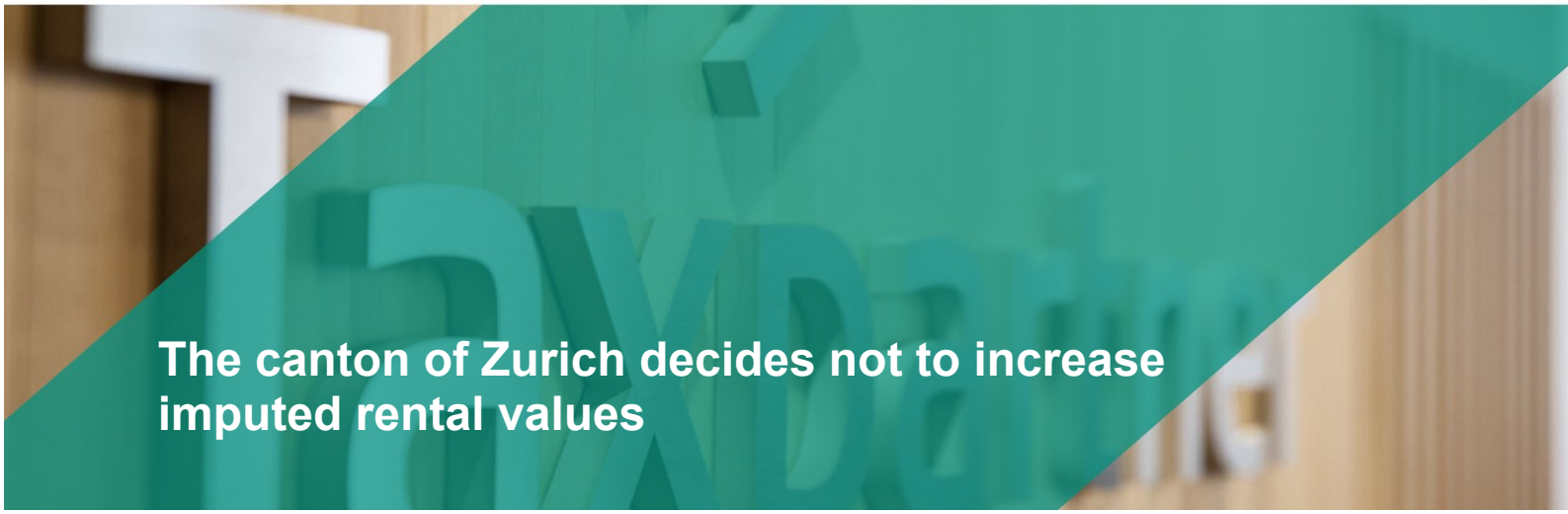


The canton of Zurich decides not to increase imputed rental values

On September 28, 2025, Swiss voters approved the introduction of special cantonal property taxes on second homes in a referendum. This will be accompanied by a change to the system for taxing owner-occupied residential property in the future. Consequently, the imputed rental value, which was previously taxed on homeowners for the owner-occupied use of the property, will soon be abolished.

Based on case law from Zurich courts and an expert opinion commissioned by the Zurich cantonal tax administration, low imputed rental and property values in Zurich were found to violate Federal Supreme Court case law. According to this, property tax values should be around 70–100% of market value, and imputed rental values should be around 60–70% of market rent. In response, the Zurich Cantonal Council issued a directive on the valuation of real estate and the determination of imputed rental values for the 2026 tax period (Directive 2026) in August 2024, which will come into force on January 1, 2026. The necessary revaluations of properties in the canton of Zurich are currently being carried out and should be sent to taxpayers by spring 2027 at the latest. The adjusted property tax values will therefore be declared for the first time in the 2026 tax return, pending approval of the pending appeal by the Zurich Homeowners Association from the Federal Supreme Court. If the appeal is successful, the Administrative Court will be required to review the content of Directive 2026.

According to today's media release, the Zurich Cantonal Council has decided on a corresponding transitional arrangement due to the imminent abolition of the imputed rental value. The previous imputed rental values will remain in place until their abolition and will no longer be increased, even if a revaluation is carried out. Specifically, residential properties built up to and including 2025 will continue to be taxed according to the current imputed rental values. For new buildings from 2026 onwards, revaluations in accordance with Directive 2026 will apply, as there are no older values available for these properties. However, a flat-rate deduction of 10% is planned to compensate for the higher imputed rental values.

The Zurich Cantonal Council's approach is to be welcomed as it creates legal certainty.

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