

## SWITZERLAND – Automatic Exchange of Information (AEOI)

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**Are you Swiss resident? Do you still have assets (bank accounts, properties, etc.) not previously declared in Switzerland? Read on.**



### **Basic rule**

As a Swiss tax resident, all your worldwide income and wealth must be declared annually in Switzerland.

### **Omitted items in previous tax returns**

The authorities can “discover” this and you would be liable to any unpaid taxes plus interest and penalties and they can and will look into the last 10 years.

Penalties can range from one third to three times the amount of unpaid taxes.

You may be subject to criminal proceedings, including time in prison, if untrue documents were disclosed to the tax authorities for purpose of tax avoidance.

### **Risk of a discovery**

Increasingly the tax authorities have more information available at their fingertips. With the automatic exchange of financial data with many countries, it becomes easier for the information received from a foreign location to be matched against that which was disclosed on the Swiss tax returns.

The respective legislation between Switzerland and many jurisdictions entered into force on 01 January 2017; the first exchange of information will take place in the course of 2018.

Inconsistencies will be more easily identified and reconciled than ever before.

### **What should be done?**

You can make an unsolicited, “once-in-a-lifetime” voluntary self-disclosure. When making such declaration, you would not be liable to any penalties or criminal proceedings, provided that:

- The tax authorities did not have any knowledge of the tax evasion
  - If they do, for instance as part of the upcoming automatic exchange of financial data, you are not covered under this facility.
- The declaration is genuine and complete
  - Non-complete declarations do not provide immunity from criminal proceedings, besides they may qualify as fraud.

You must also cooperate fully to determine the amount of tax in arrears and pay the outstanding taxes and interest. When all the prescribed conditions are met for the voluntary disclosure, you are then liable for any unpaid taxes and interest but not subject to further penalties.

### **What periods are covered?**

When making a declaration, you must include all relevant documentation covering the periods of the omission. This is limited to the last 10 years or from the time you came to Switzerland, if later.

### **How is the once-in-a-lifetime voluntary declaration made?**

It can take time to obtain all the necessary information, so a notice may be given to the tax authorities as soon as possible that you wish to make an “once-in-a-lifetime” voluntary disclosure for income and wealth tax purposes, to reduce the risk of a discovery.

You then have time to produce the full set of documentation; the specific time needed is agreed with the competent tax office on a case-by-case basis and may well last several months.

When making a disclosure, it must be full and complete for all tax years at stake. You generally do not have the opportunity to amend it later or provide further documents, unless the uncertain tax positions were clearly described in advance.



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