

**Dear customers and business partners,**

**We are pleased to provide you with the June 2021 edition of our newsletter, which informs you about recent changes in tax law, finance, accounting and auditing. Furthermore, it is always worthwhile visiting our homepage, where we continuously publish professional service news and provide you with additional helpful information ([www.brag.ch](http://www.brag.ch)).**

### **Covid 19 contributions to be declared in section 910**

Covid 19 contributions from the public sector, such as payments, interest benefits on loans and debt relief, which have been paid since 1 March 2020 are considered as cash flows. Due to the exceptional situation, taxable persons do not have to reduce input tax when receiving such contributions.

The Covid 19 contributions are to be declared in the VAT return under section 910 and not under section 200. If input tax reductions have already been made as a result of receiving Covid 19 contributions, these can be reversed by means of a correction or adjustment statement. (*Source: Federal Tax Administration*)

### **EasyGov.swiss with new functions: report jobs and record working time requests**

As of 1 January 2020, employers have a legal obligation to report job vacancies with at least 5 percent unemployment across Switzerland to the RAV. With the latest update of easygov.swiss, vacancies can be recorded directly and published to the public.

Applications for working time permits can now also be submitted online via EasyGov instead of via TACHO.

### **Early repayment fees: when are they tax deductible?**

If a mortgage is repaid early, the bank demands a so-called early repayment penalty. The Federal Supreme Court has ruled on tax deductibility in a 2019 decision. The court differentiates between the following three cases:

1. conditions are adjusted: The mortgage remains in place, but before the end of the contract period, the contract is amended, e.g. by adjusting the interest rate or the amount of the loan. Consequence: The prepayment penalty is equated to a debt interest and is tax deductible.
2. change of bank: the contractual relationship with the existing bank is terminated before the end of the contract and the bank demands an early repayment penalty: Consequence: No equivalence with debt interest, therefore not tax-deductible.

3. sale of the property: due to the sale, the contract is terminated and an early repayment penalty must be paid. Consequence: No equivalence with a debt interest, thus not tax deductible. However, the compensation can be taken into account in the context of real estate gains tax.

(Source: BGE 2C\_1009/2019 dated 16.12.2019)

### **What is the difference between a will and an inheritance contract?**

With a will, the testator alone determines who can benefit from the inheritance. Only the compulsory portions are protected, the rest of the assets can be freely distributed.

The inheritance contract is concluded by several persons. Together they determine who is to inherit what. All parties involved must agree if either party wants to change or dissolve it. The inheritance contract has a high binding effect and all parties involved know who will inherit how much.

A notary must certify the inheritance contract and have it signed in the presence of two witnesses.

### **Cash payment of the pension assets is only possible outside the EU / EFTA**

If the insured person definitively leaves Switzerland, the compulsory insurance obligation no longer applies and the pension assets can be paid out in cash. If the insured person moves to an EU/EFTA member state, only cash payment of the excess assets is possible. If the insured person remains subject to the occupational benefit scheme under the law of the country of residence, the compulsory part of the termination benefits must be transferred to a Swiss vested benefits/blocked account. These benefits can be drawn at the earliest five years before and at the latest five years after reaching the statutory retirement age of 65. It is recommended that the cash payment be requested only after the residence has been moved abroad. This is the only way to ensure that the termination benefit is taxed in the canton of domicile of the last pension or vested benefits institution (taxation at source).

### **No imputed rental value for unused property from inheritance**

An imputed rental value arises if the owner uses the property himself. Taxpayers who have inherited a property and leave it empty in order to sell it do not need to declare an imputed rental value. (Source: Administrative Court of Basel-Stadt, November 7, 2019)

### Extraordinary business cases due to Covid in accounting

The Corona pandemic has raised new questions for companies, including how to account for individual business cases.

The following business cases are considered extraordinary expenses:

- Home office equipment for employees
- Cleaning expenses and protective material
- Contractual penalties for non-delivery or delays in delivery
- Value adjustments of inventories or participations.

The criteria for treatment as extraordinary business cases are that

- the expense or income would not have occurred without the Corona crisis
- government-imposed measures have forced the company to do so.

### Casual behaviour in dealing with the tax return is not rewarded

A taxpayer did not submit a tax return despite several reminders, but informed his municipality that his income and assets were plus/minus unchanged and therefore no new assessment was necessary. He did not comply with the municipality's request to submit a completed tax return. He responded to the first fine of CHF 50 with an appeal, which he took all the way to the Federal Supreme Court.

The court did not accept his reasoning, confirmed by a doctor, that he was "seriously, increasingly and permanently handicapped with regard to the submission of the tax returns, which were not easy and unnecessarily cost an unreasonable amount of time". Since he was in a position to sue his way through all the lower courts, the court did not allow him to plead illness. His additional claim for damages (for what was unclear) was also rejected. (*Source: BGE 2C\_117/2021 of 11.2.2021*)

Kind regards,

Your BRAG / Contrast Team