

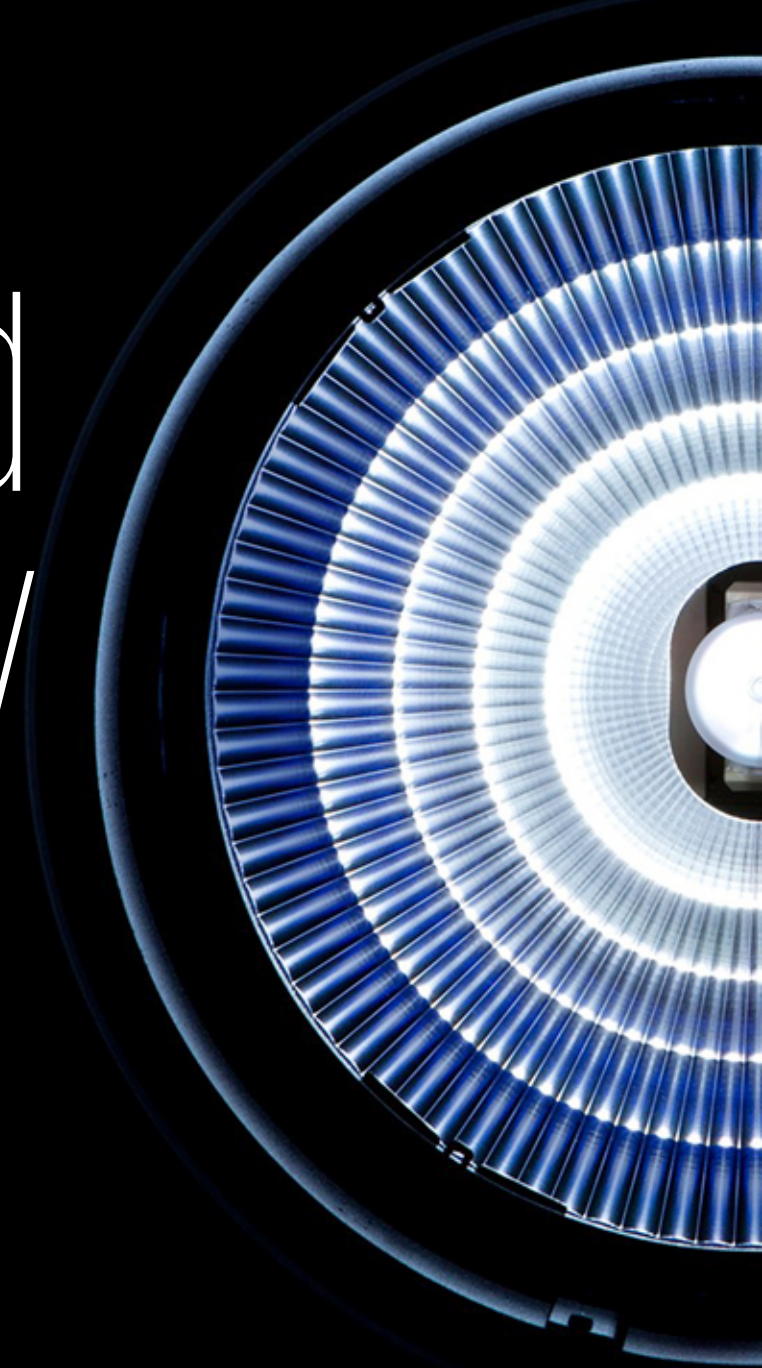


Swiss Tax and Social Security system

Presentation by Stephen Turley

—

March 2018



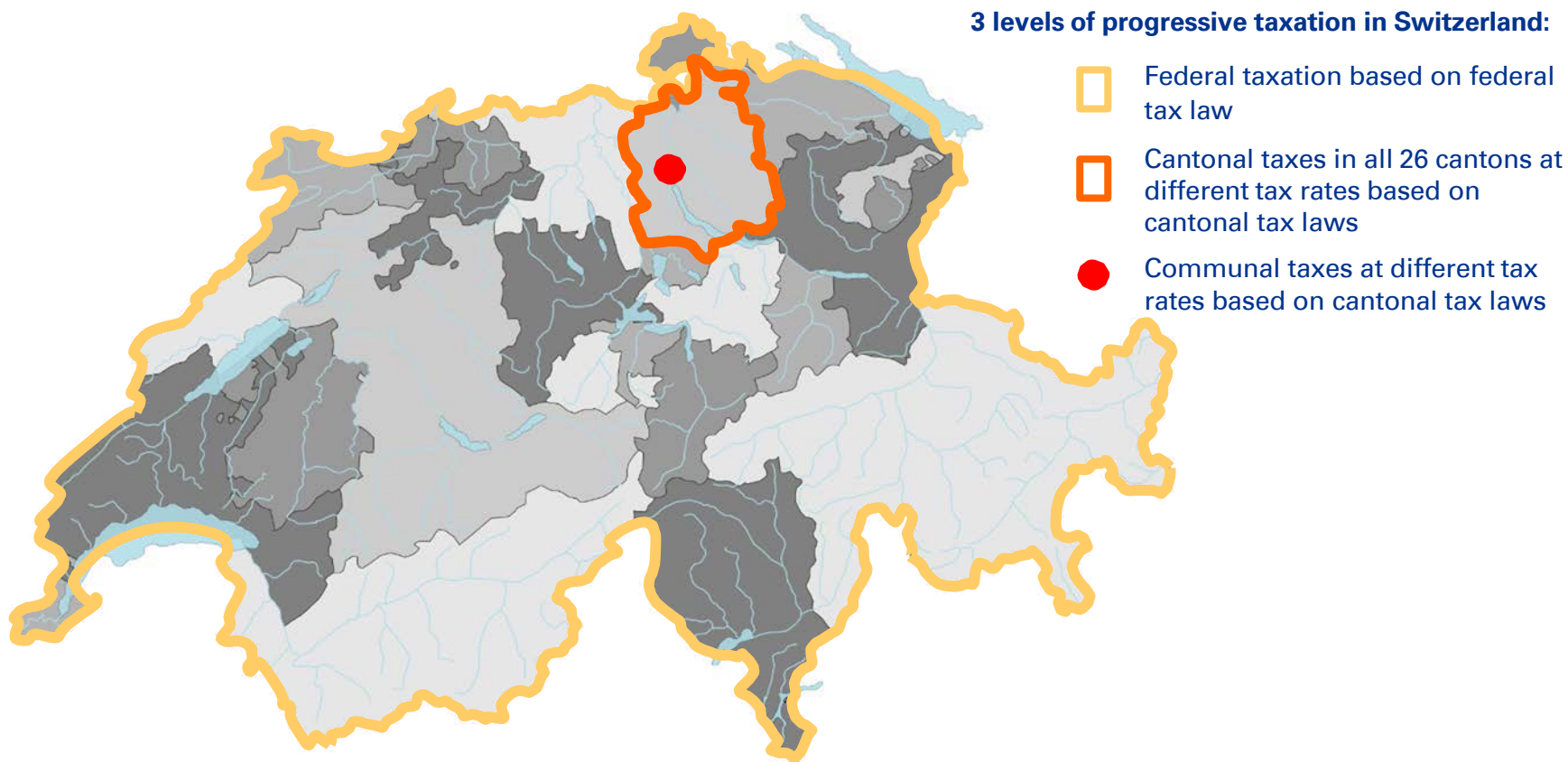
Agenda

- Introduction to the Swiss taxation system
- Swiss tax residency and filing obligation
- Swiss income taxation
- Swiss social security
- Double tax treaty Switzerland - USA

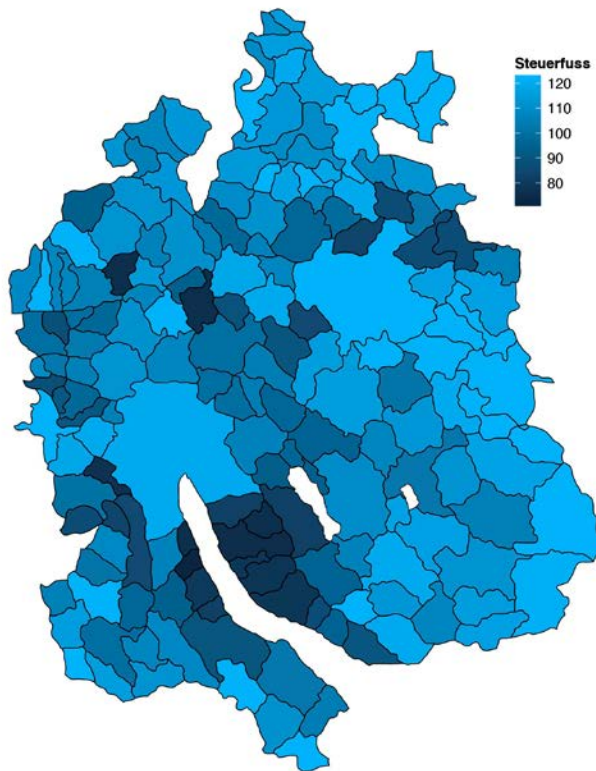


Introduction to the Swiss taxation system

Levels of taxation in Switzerland



Tax rates and tax planning



Individual tax charge per community within the canton of Zürich – Tax planning

Moving during the year

Moving within the canton from one community to another

- You are required to de-register from the community you are leaving and re-register in your new community of residence. Please note that for a move within the city of Zurich you would need to inform the competent Kreisbüro. This would not need to be done in person with two weeks of departure
- You have to file a tax return and pay your taxes in the community, where you are registered on 31st December

Moving from one canton to another

- As each canton has its own tax authority and law you need to personally de-register, when you leave one canton and re-register in your new canton of residence
- Individuals that are subject to source tax withholding according to the tariffs of their canton of residency
- You have to file a tax return and pay your taxes in the community, where you are registered on



Swiss tax residency and filing obligation

Tax Residency Rules

Swiss national law

Article 3 of the federal income tax act






- Presence of at least 30 days with employment
- Presence of at least 90 days without employment

International Tax law in case of double residency

Article 4 of the double tax treaty Switzerland – USA

- A person who due to their place of domicile, residence, habitual abode, nationality or place of work is deemed to be a resident of the given country.
- Tax residency in the case of conflict = Centre of vital interest

Swiss tax return filing obligation

International Commuters, Cross-border Commuters (independent of income)		Source Tax Final
L or B permit, not married to CH national < CHF 120'000 gross income		Source Tax Final
Additional income (not taxed at source) > CHF 2'500 / net wealth > CHF 200'000		Tax Return
L or B permit, not married to CH national > CHF 120'000 gross income		Tax Return
C permit, CH national, married to CH national		Tax Return

Your Swiss tax return

Joint tax filing: In Switzerland separate filing is not possible for married couples.

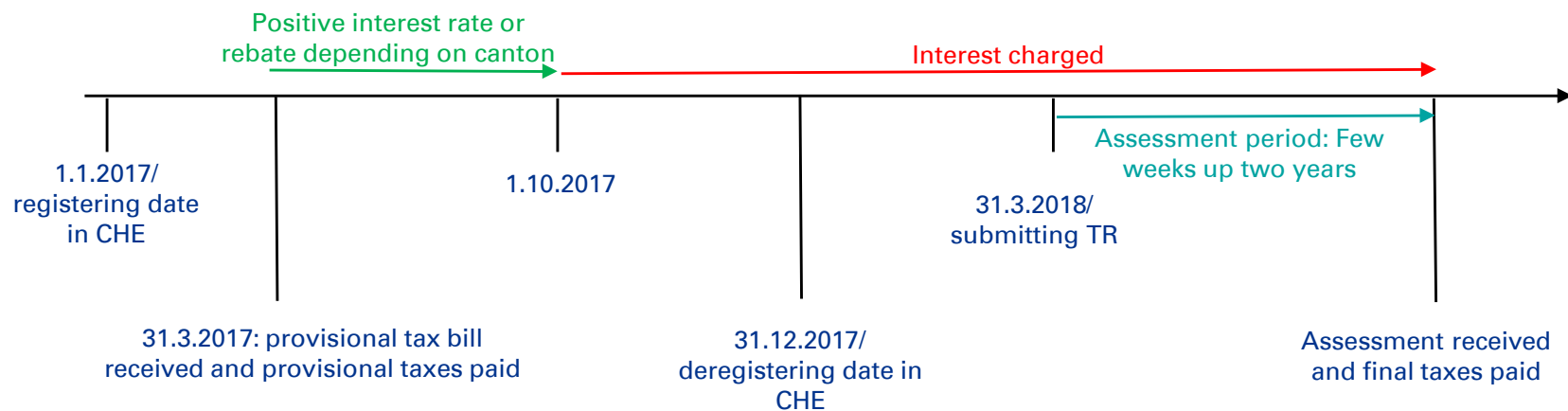
Determining your Swiss tax liability

- Based on the Swiss tax return filed
- If you register in or de-register from Switzerland during the year you will only be liable for Swiss tax for the period you are tax resident of Switzerland.
- Part year income will be annualized to determine the applicable tax rate. The effective income earned during your non-residency period will not be considered.
- Any Swiss source taxes withheld by your employer are credited against your final Swiss tax obligation.

Your Swiss tax return – dates and deadlines

- The Swiss tax year runs from 1st January to 31st December.
- The first tax filing due date for full year tax returns is generally 31st March.
- Leaving Switzerland before 31st December might trigger an earlier tax return filing deadline

The taxation timeline





Swiss income taxation

Income Tax - Items to be considered

- Employment income
- Income from properties (deemed vs. rental income)
- Investment income (interest, dividends etc.)
- Royalties
- Income from retirement and pension funds
- Child support
- Alimony

Employment income – what is taxable?

A Lohnausweis – Certificat de salaire – Certificato di salario
B Rentenbescheinigung – Attestation de rentes – Attestazione delle rendite

C AN/AV: – No AVS – N. AVS **F** Unterfertigte Beförderung zwischen Wohn- und Arbeitsort
 Transport gratuit entre le domicile et le lieu de travail
 Trasporto gratuito dal domicilio al luogo di lavoro

D AN/AV: – No AVS – N. AVS **E** Neue AN/AV: – Nouveau No AVS – Nuovo N. AVS **G** Kartennachschlagung / Lunch-Checks
 Repas à la cantine / Check-up-repas
 Pasti alla mensa / Pasti pasto

H

1. Lohn / salaire / retribuzione / Rente / Rendite
 Salaire qui ne concerne pas les chiffres 2 à 7 ci-dessous / Rente
 Salario che non ha relazione con i numeri 2 a 7 qui sotto / Rendita

2.1 Voyages, Unterhalt – Pension, logement – Vitto, alloggio
 Prestations salariales accessoires / Prestazioni salarie accessorie
 Prestazioni accessorie al salario

2.2 Transport des véhicules – Part private voiture de service – Quota privata automobile di servizio
 Prestations accessoires al salaire / Prestazioni accessorie al salario

2.3 Autres – Autres – Altre
 AT – Gera – Gera

3. Usuehändige Leistungen – Prestations non périodiques – Prestazioni aperiodiche
 AT – Gera – Gera

4. Kapitalleistungen – Prestations en capital – Prestazioni in capitale
 AT – Gera – Gera

5. Beteiligungsmehrheiten gemäss Beiblatt – Droits de participation selon annexes – Diritti di partecipazione secondo allegato
 AT – Gera – Gera

6. Verwaltungsmehrheiten gemäss Beiblatt – Droits de participation selon annexes – Diritti di partecipazione secondo allegato
 AT – Gera – Gera

7. Andere Leistungen – Autres prestations – Altre prestazioni
 AT – Gera – Gera

8. Bruttolohn / Rente – Salaire brut total / Rente – Salario lordo totale / Rendita

9. Beiträge AN/AV/EG/AB/NU/AV – Cotisations AVS/AV/EG/AB/NU/AV – Contributi AVS/AV/EG/AB/NU/AV

10. Berufliche Vorsorge – 1. Säule 10.1 Ordentliche Beiträge – Cotisations ordinaires – Contributi ordinari
 Previsione professionale – 2. Säule 10.2 Beiträge für den Einkauf – Cotisations pour le rachat – Contributi per il riscatto

11. Haftlohn / Rente – Salaire net / Rente – Salario netto / Rendita

12. Quotenabrechnung – Retenue de l'impôt à la source – Ritenuta d'imposta alla fonte

13. Spezialvergütungen – Allocations pour frais – Indennità per spese
 Nicht in Bruttolohn (Gehalt) zitiert – Non compris dans le salaire brut (au chiffre 8) – Non compresi nel salario lordo (cifra 8)

13.1 Effetive Spesen – 13.1.1 Reise, Verpflegung, Übernachtung – Voyage, repas, nuitées – Viaggio, vitto, alloggio
 Spese effettive 13.1.2 Obige – Autres – Altre
 AT – Gera – Gera

13.2 Pauschalgehälter – 13.2.1 Repräsentation – Représentation – Rappresentanza
 Spesen forfaitaires 13.2.2 Auto – Voiture – Automobile
 Spese forfaitarie 13.2.3 Obige – Autres – Altre
 AT – Gera – Gera

13.3 Beiträge an die Weiterbildung – Contributions au perfectionnement – Contributi per il perfezionamento

14. Weitere Gehaltsbestandteile – AT
 Autres prestations salariales accessoires Gera
 Altre prestazioni accessorie al salario Gera

15. Bemerkungen
 Observations
 Osservazioni

I Ort und Datum – Lieu et date – Luogo e data
 Die Richtigkeit und Vollständigkeit bestätigt
 Ici: par le personnel des administrations des salaires
 Certifié exact et complet
 Ici: attesté et complété par le personnel
 Certificato esatto e completo
 Compiuto l'attestato a numero di salario sort del datore di lavoro

602-040.16 Form. 11 (25.8.2006)

Compensation related to your Employment

- Salary
- Bonus
- Options / Deferred Shares
- Allowances
- Benefits in kind

Income taxation – Taxation of Property

- Rental or deemed rental income
- Mortgage interest
- Foreign property is not subject to taxation in Switzerland but it increases or reduces the applicable income tax rate in Switzerland due to the exemption with progression method applied

Income taxation – Deductions

Standard tax deductions include:

- Social security and pension contributions in Switzerland (and abroad under certain conditions)
- Business expenses
- Insurance and wealth management costs
- Marital status, children and dual income deductions

Non-standard deductions include:

- Voluntary contributions to Swiss pension funds (Pillar 2 or 3a).
- Further education costs upto CHF 12'000, (including languages for you or spouse)
- Mortgage interest and property maintenance costs
- Debt interest
- Contributions to Swiss charities
- Medical costs not covered by medical insurance in excess of a cantonal threshold
- Support payments for dependent relatives

Supporting documents must be provided in order to claim any non-standard deductions.

Income taxation

Married, two children, no church tax (in cantonal capitals)

Gross salary	100'000	150'000	200'000	400'000	500'000	1'000'000
Zurich ZH	4'969	13'812	26'626	93'591	131'160	322'256
Schwyz SZ	4'111	11'481	21'763	70'293	94'544	212'025
Luzern LU	6'418	15'535	28'206	89'776	120'549	274'516
Zug ZG	1'146	5'237	12'945	64'233	86'487	197'829
Schaffhausen SH	6'732	16'543	31'081	99'794	134'367	291'534
Aarau AG	5'926	15'920	29'390	92'957	125'877	293'151
Frauenfeld TG	5'834	15'876	28'649	89'597	121'135	278'946
<i>of which is:</i>						
Federal Tax	87	1'954	6'002	29'233	40'842	98'926

Gross salary	100'000	150'000	200'000	400'000	500'000	1'000'000
Zurich ZH	4.97%	9.21%	13.31%	23.40%	26.23%	32.23%
Schwyz SZ	4.11%	7.65%	10.88%	17.57%	18.91%	21.20%
Luzern LU	6.42%	10.36%	14.10%	22.44%	24.11%	27.45%
Zug ZG	1.15%	3.49%	6.47%	16.06%	17.30%	19.78%
Schaffhausen SH	6.73%	11.03%	15.54%	24.95%	26.87%	29.15%
Aarau AG	5.93%	10.61%	14.70%	23.24%	25.18%	29.32%
Frauenfeld TG	5.83%	10.58%	14.32%	22.40%	24.23%	27.89%
<i>of which is:</i>						
Federal Tax	0.09%	1.30%	3.00%	7.31%	8.17%	9.89%

Basis: Tax year 2014 / Source: Swiss Federal Tax Administration

Income taxation

Single, no children, no church tax (in cantonal capitals)

Gross salary	100'000	150'000	200'000	400'000	500'000	1'000'000
Zurich ZH	12'856	25'572	41'386	115'773	154'145	343'894
Schwyz SZ	10'421	20'098	31'187	78'925	102'544	218'480
Luzern LU	14'390	25'967	39'562	101'319	132'271	284'891
Zug ZG	7'567	18'672	29'464	74'270	96'702	206'697
Schaffhausen SH	15'988	30'009	46'487	111'394	142'985	298'804
Aarau AG	14'842	27'871	42'936	109'427	143'517	311'842
Frauenfeld TG	14'542	26'959	41'363	104'754	136'473	292'936
<i>of which is:</i>						
Federal Tax	1'838	5'215	9'976	33'481	45'268	102'005

Gross salary	100'000	150'000	200'000	400'000	500'000	1'000'000
Zurich ZH	12.86%	17.05%	20.69%	28.94%	30.83%	34.39%
Schwyz SZ	10.42%	13.40%	15.59%	19.73%	20.51%	21.85%
Luzern LU	14.39%	17.31%	19.78%	25.33%	26.45%	28.49%
Zug ZG	7.57%	12.45%	14.73%	18.57%	19.34%	20.67%
Schaffhausen SH	15.99%	20.01%	23.24%	27.85%	28.60%	29.88%
Aarau AG	14.84%	18.58%	21.47%	27.36%	28.70%	31.18%
Frauenfeld TG	14.54%	17.97%	20.68%	26.19%	27.29%	29.29%
<i>of which is:</i>						
Federal Tax	1.84%	3.48%	4.99%	8.37%	9.05%	10.20%

Basis: Tax year 2014 / Source: Swiss Federal Tax Administration

Wealth taxation

- **Your total worldwide assets as per 31 December are subject to wealth tax (movable / immovable assets):**
 - Worldwide bank accounts and investments (including minor children)
 - The Swiss tax value of Swiss or foreign property
 - Life insurances with a redeemable value
 - Valuable objects e.g. cars, jewelry, art, collections, precious metals
- **What is not subject to wealth tax:**
 - Swiss or foreign pension funds recognized under Swiss laws (401k, IRA)
- **What is deductible from your total worldwide assets:**
 - Outstanding loans or mortgages
 - Credit card balances
 - Other debt balances

Wealth Taxation

Married, two children, no church tax (in cantonal capitals)

Net Wealth	100'000	200'000	500'000	1'000'000	5'000'000
Zurich ZH	0	50	504	1'851	23'816
Schwyz SZ	168	335	838	1'675	8'375
Luzern LU	259	518	1'294	2'588	12'938
Zug ZG	71	168	322	2'141	13'501
Schaffhausen SH	210	420	1'680	4'830	24'210
Aarau AG	223	487	1'401	3'248	20'259
Frauenfeld TG	289	579	1'447	2'893	14'465

of which is:

Federal Tax	0	0	0	0	0
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Net Wealth	100'000	200'000	500'000	1'000'000	5'000'000
Zurich ZH	0.000%	0.025%	0.101%	0.185%	0.476%
Schwyz SZ	0.168%	0.168%	0.168%	0.168%	0.168%
Luzern LU	0.259%	0.259%	0.259%	0.259%	0.259%
Zug ZG	0.071%	0.084%	0.064%	0.214%	0.270%
Schaffhausen SH	0.210%	0.210%	0.336%	0.483%	0.484%
Aarau AG	0.223%	0.244%	0.280%	0.325%	0.405%
Frauenfeld TG	0.289%	0.290%	0.289%	0.289%	0.289%

of which is:

Federal Tax	0.000%	0.000%	0.000%	0.000%	0.000%
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Basis: Tax year 2014 / Source: Swiss Federal Tax Administration

Wealth Taxation

Single, no children, no church tax (in cantonal capitals)

Net Wealth	100'000	200'000	500'000	1'000'000	5'000'000
Zurich ZH	24	134	672	2'102	24'320
Schwyz SZ	168	335	838	1'675	8'375
Luzern LU	284	518	1'319	2'613	12'963
Zug ZG	71	168	721	2'141	13'501
Schaffhausen SH	240	450	1'710	4'860	24'180
Aarau AG	223	487	1'401	3'248	20'259
Frauenfeld TG	289	579	1'447	2'893	14'465
<i>of which is:</i>					
Federal Tax	0	0	0	0	0

Net Wealth	100'000	200'000	500'000	1'000'000	5'000'000
Zurich ZH	0.024%	0.067%	0.134%	0.210%	0.486%
Schwyz SZ	0.168%	0.168%	0.168%	0.168%	0.168%
Luzern LU	0.284%	0.259%	0.264%	0.261%	0.259%
Zug ZG	0.071%	0.084%	0.144%	0.214%	0.270%
Schaffhausen SH	0.240%	0.225%	0.342%	0.486%	0.484%
Aarau AG	0.223%	0.244%	0.280%	0.325%	0.405%
Frauenfeld TG	0.289%	0.290%	0.289%	0.289%	0.289%
<i>of which is:</i>					
Federal Tax	0.000%	0.000%	0.000%	0.000%	0.000%

Basis: Tax year 2014 / Source: Swiss Federal Tax Administration

Example of International Allocation

TAX ALLOCATION WEALTH TAXES

Wealth at	31.12.2016	Zurich	Foreign	Total
Real estate, tax allocation value		0	350'000	350'000
Tax allocation percentage		90%	100%	
Tax allocation		0	350'000	350'000
Value of Bank accounts and investments		100'000	0	100'000
Cars / motorcycles		10'000	0	10'000
Life insurance		0	0	0
Total wealth		110'000	350'000	460'000
in %		23.91%	76.09%	100.00%
Debts		-71'739	-228'261	-300'000
Corrected allocation value		0	0	0
Net Wealth		38'261	121'739	160'000
Taxable wealth	Zurich	38'261		
Taxable wealth	Foreign		121'739	
Tax rate determining wealth				160'000

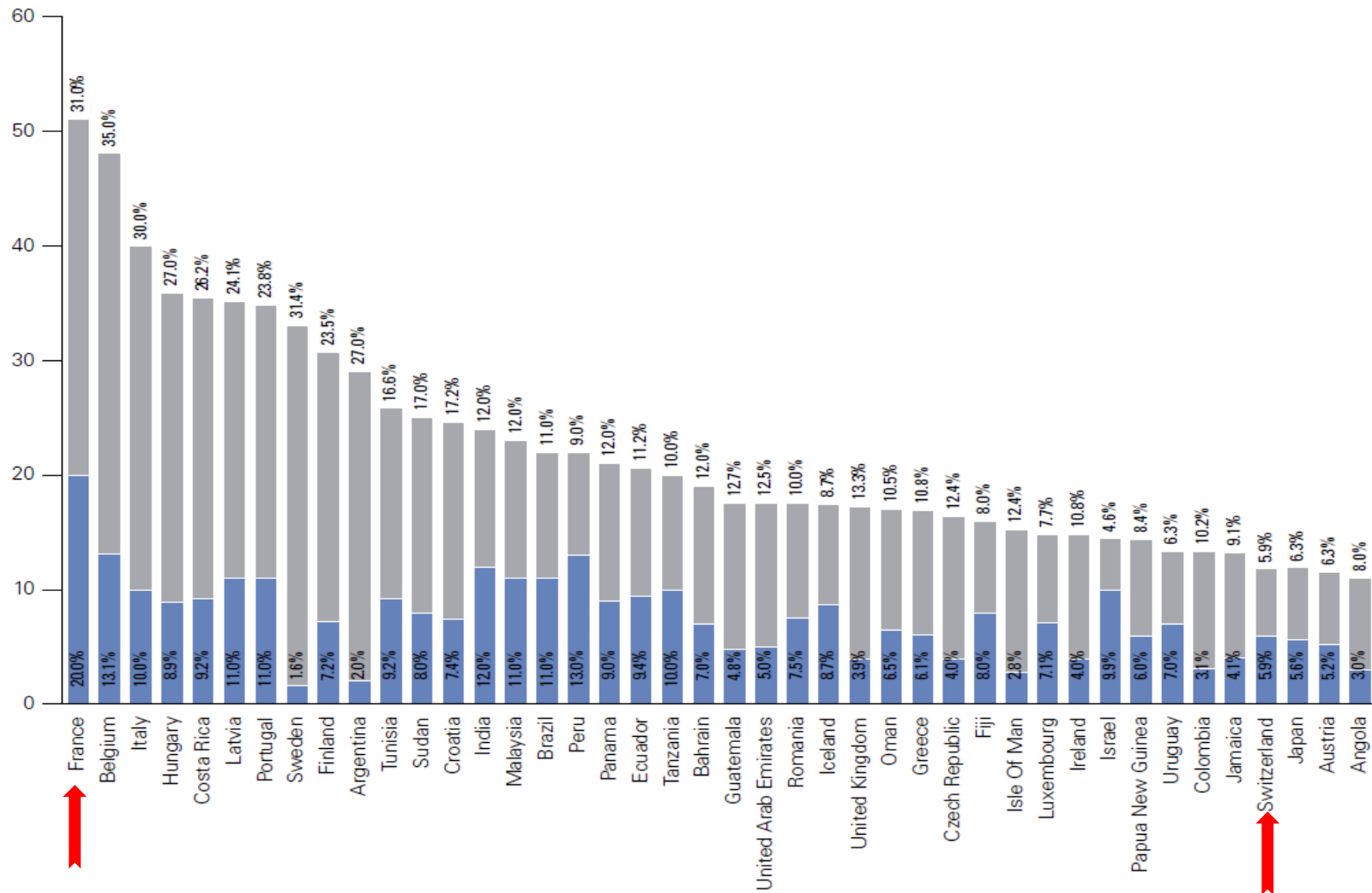
Other Common Taxes in Switzerland

- Church tax
 - If you profess Roman-Catholic, Christian-Catholic or Protestant church tax is levied in almost all cantons. Other religious beliefs may also trigger church taxes in some cities or cantons
- Withholding tax on Swiss sourced investment income
 - Interest and dividends paid by Swiss companies, financial institutions or lotteries are subject to a 35% withholding tax
 - Withholding taxes can be reclaimed in the Swiss tax return of resident taxpayers and for non-residents from the Swiss federal tax authority if a double tax treaty allows a refund
- Property gain tax
 - All cantons impose taxes on property gain
- Gift and inheritance tax
 - All cantons except Schwyz apply gift and inheritance taxes. Spouses are always exempted but children might be taxed (Appenzell i. Rh, Neuchâtel and Vaud).
- Personal tax, Fire fighter tax
 - Some cantons or even communes may apply the above mentioned, minor, taxes



Swiss social security system

Effective social security rates on USD 300,000 of gross income



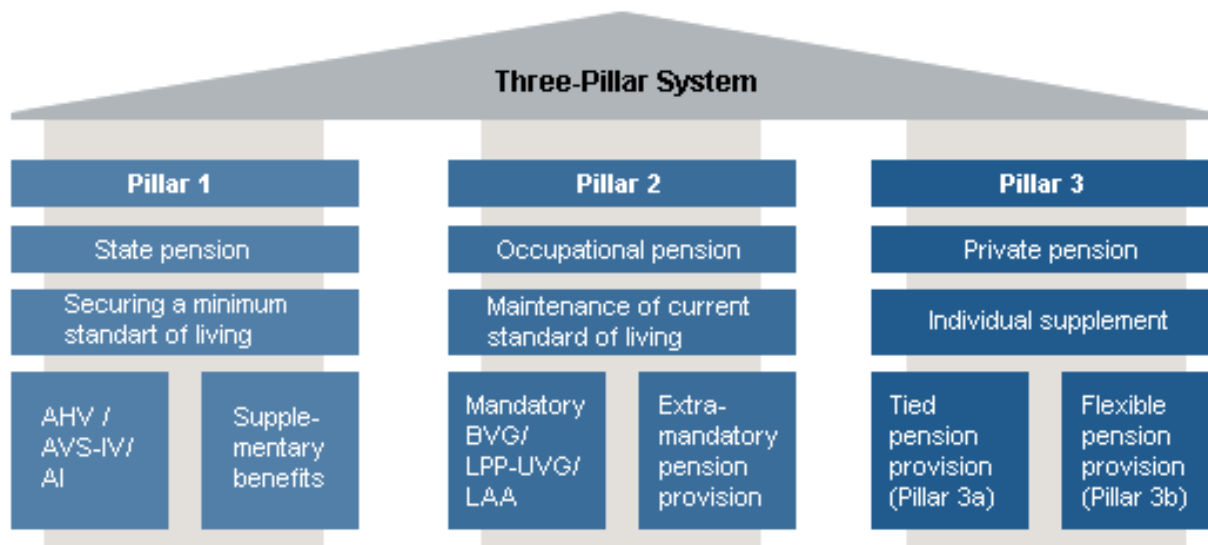
Swiss social security

Swiss social security

- If you are on a local employment contract in Switzerland, it is mandatory to contribute to the Swiss social security system.
- The Swiss pension system consists of three pillars.
- The Pillars 1 and 2 are mandatory whereas pillar 3 is voluntary.
- A individual health insurance is mandatory for all residents of Switzerland. Please be aware that after registering you have 3 months time to chose a health insurance company.

Swiss social security

Three pillar principle



The aim is to maintain the standard of living for insured persons or their surviving dependents during retirement or in the event of disability or death.

Swiss social security

Pillar 1

Swiss state pension and mandatory insurances include:

- Pillar 1 (AHV, ALV, IV, EL, EO) is the basic Swiss social security.
- AHV, IV and EO are together 5.125% of your gross salary, uncapped and includes the state pension.
- ALV (including EL) or unemployment insurance (UI) is:
 - 1.1% up to CHF 148,200.
 - 0.5% from CHF 148,201 on (uncapped)
- Your AHV and ALV contributions are withheld monthly by the employer.
- Your contributions are deductible for Swiss tax purposes.
- Your contributions are also matched by your employer.

Example Pension statement

Pension benefit statement as of 01.01.2016

Entry:	01.10.2000	Mar. status:	married
Date of birth:	09.09.1965	OASI No. :	756.1234.5678.90
Retirement:	30.09.2030	Savings plan:	Plus
Job Grade:	A	Insured annual salary:	180,000.00

Contributions in CHF	Employee	Employer
Monthly savings contribution	1,687.50	2,550.00
Monthly risk contribution	90.00	90.00

Insured benefits in CHF

Old-age capital on retirement (calculated without interest)	1,742,493.60
Old-age pension, p.a.	84,685.20
Old-age capital on retirement (calculated as of 1.1.2017 with 1.50% of interest)	** 2,048,557.40
Old-age pension, p.a.	96,000.00
Old-age capital on retirement (calculated as of 1.1.2017 with 3.00% of interest)	*** 2,411,992.25
Old-age pension, p.a.	96,000.00
Pensioner's Child's Pension according to LOB, p.a.	5,134.80
Life long disability pension, p.a.	93,053.40
Disability pension until 30.09.2030, p.a.	32,946.60
Life long spouse resp. partner pension, p.a.	81,000.00
Death capital	1,058,066.10
Disability child's pension, p.a.	18,900.00
Old-age capital as of 31.12.2015	968,066.10

Pension fund buy-in

Purchase amount

- Maximum possible purchase amount depends on regulations of pension fund

Reasons for the Gap

- Goal of the pension fund is to cover approx. 70% of the current standard of living. Therefore, pension fund gaps might result from
 - salary increases
 - Move from abroad
 - Never insured by a Swiss pension fund before

Benefits

- Tax deductible from taxable income in year of buy-in
- Lump-sum payouts are taxed at a beneficial tax rate

Pension Fund buy-in (for non-US Filers)

Pillar 2

Additional pension contributions (non-mandatory) are possible with the following restrictions:

- During the first 5 years a maximum additional contribution of 20% of the insured salary is possible
- Any contribution is blocked for a minimum of 3 years, otherwise the tax benefit will be reversed
- A one-time payout of contributions is possible when:
 - Individual leaves Switzerland for a long time (only non-mandatory part can be paid out if leaving to EU countries)
 - Starts self employment in Switzerland
 - Buys a Swiss property (only self-occupied)
 - At the age of retirement (women 64, men 65) or early retirement

The Swiss Pension Fund from a US Perspective

- Swiss Pension Fund payout is possible as a lump-sum payout before pensionable age if you are leaving the country or as annuity or lump-sum when you are pensioned
- If resident in the US at the time of a lump sum payout US has right of taxation. If already taxed in the US in each tax year, then no further taxes should be due on this lump-sum payment at time of payout.
- Swiss source tax withholding can be reclaimed.

Swiss Social Security System – Pillar 3

Pillar 3

The third pillar makes it possible to systematically close any gaps that exist in a person's pension coverage. In contrast to normal savings, it offers tax advantages under certain conditions.

Maximum annual contributions in 2017:

- CHF 6'768, if individual already contributes into Pillar 2 (company pension),
or
- CHF 33'840 for self-employed individuals or 20% of net employment
income



USA and Switzerland Treaty Consideration

Treaty Consideration

Employment Income

- Remuneration received from the Employment at University of Zürich directly and other income received from private entities or foundations in Switzerland should fall under Art. 15 of the Double Taxation Treaty between Switzerland and the US. Consequence = deemed to be taxable in Switzerland unless conditions under Art. 15.2 apply

Royalties

- Any income from royalties should be subject to taxation in accordance with Art. 12 (place of residence)

Other income

- If the payment should not qualify as employment income or any other specific type of remuneration then the right of taxation would be determined by Art. 21 (place of residence)

Double Tax Relief

General rule – US citizens/green cards taxable on worldwide income

- **FTC - The US uses a credit system instead of exemption with progression**
 - Tax credit cannot exceed average rate of US tax on that income
 - Tax credit only possible if an equivalent tax exist under the US tax regime. E.g. FTC can be taken for US income taxes purposes but not on church taxes
 - Unused credits can be carried forward 10 years and carried back one year
- **Foreign earned income and housing exclusions**
 - FEI exclusion for 2017 – maximum of \$102,100
 - Housing – only costs below a threshold can be excluded
 - Threshold for most of Switzerland - \$32,900 (for 2016)

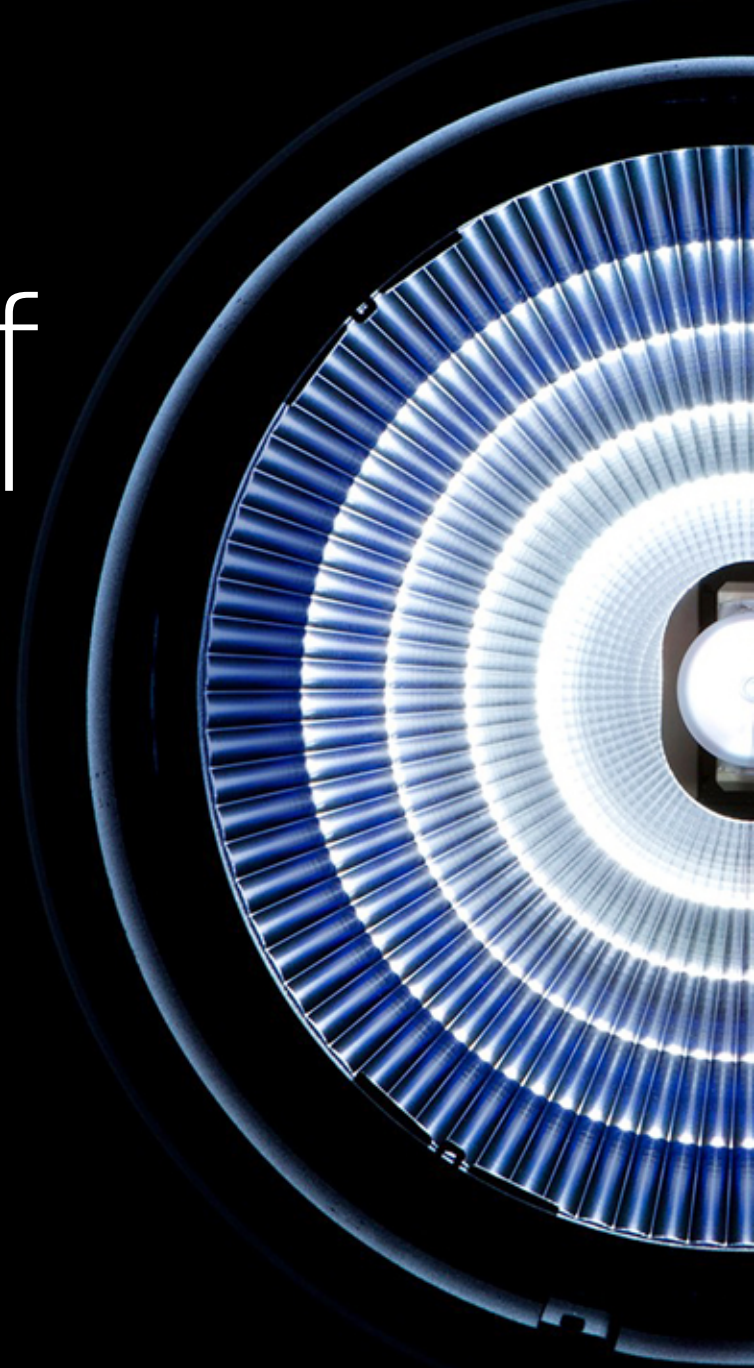


U.S. taxation of Americans abroad

Presentation by Andrew Vincett

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March 2018



Agenda

- Basics of U.S. taxation of Americans abroad
- State issues
- Foreign account and asset reporting
- Interaction with Swiss taxation
- Tax reform – important changes in 2018

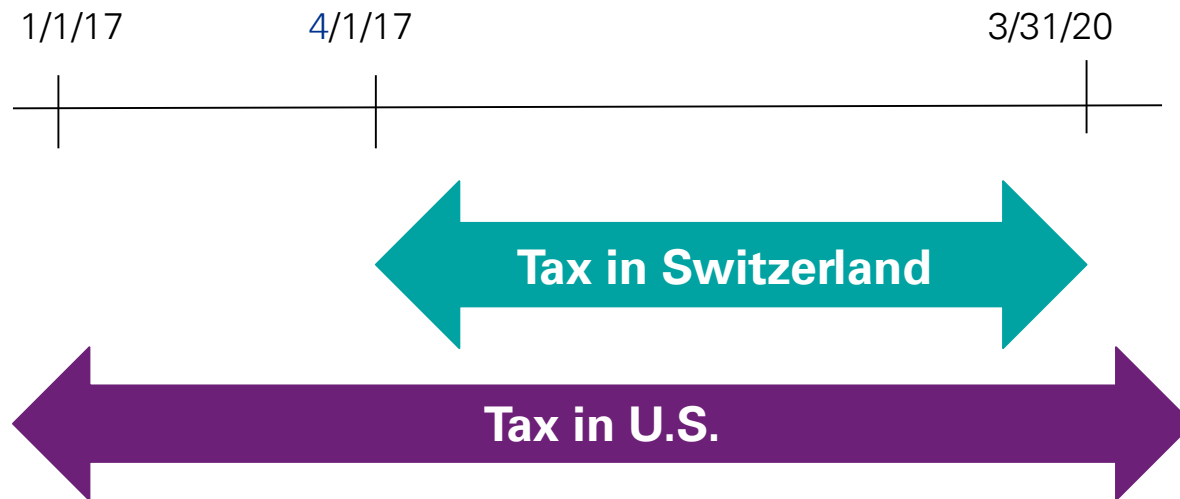


Basics of U.S. tax for Americans abroad

U.S. taxation & reporting

Scope of U.S. taxation

- Worldwide income & gains, regardless of where originated
- Example: U.S. national starts 3-year assignment in Switzerland on April 1, 2017



- For Americans abroad, the “source” of income becomes crucial in mitigating double taxation

U.S. taxation & reporting – IRC § 911 exclusion

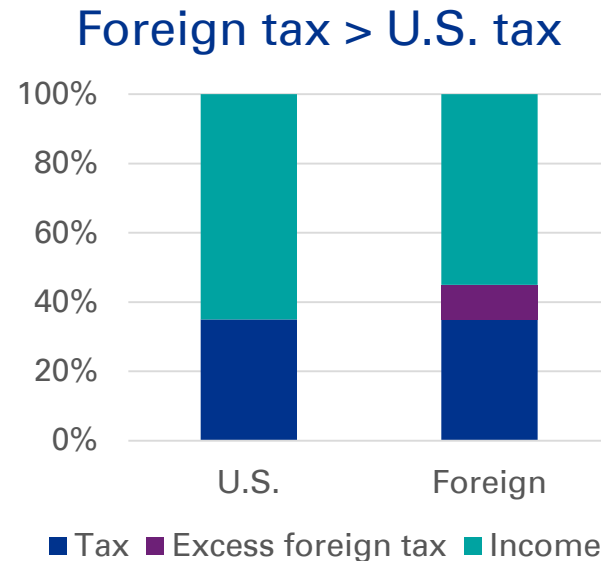
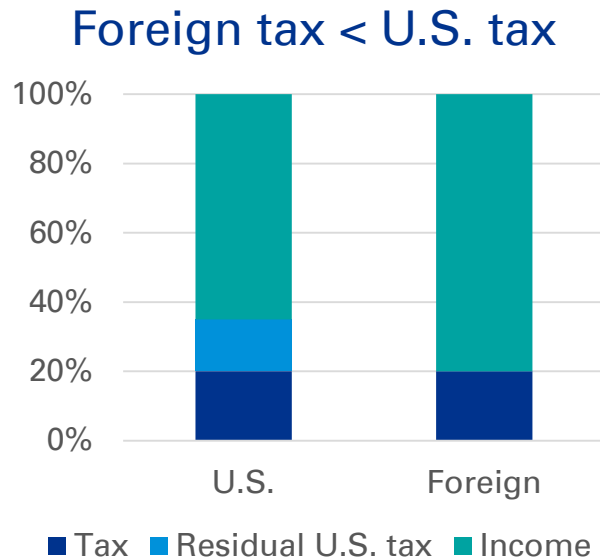
Mitigation of double taxation:

- Foreign income exclusions (Form 2555)
 - \$ 102,100 (for 2017) of foreign earned income
 - Foreign housing costs between \$16,336 and \$30,630 (2017), unless specified higher limit applies
 - In general, only suitable if the foreign tax rate is lower than the equivalent U.S. tax
- Qualifying tests:
 - BFR (Bona Fide Residence Test)
 - Only available for U.S. citizens IRC § 911(d)(1)(A)
 - Resident of a foreign country for uninterrupted period that includes an entire calendar year
 - PPT (Physical Presence Test)
 - Physically present in foreign country for 330 full days in a consecutive 12 month period

U.S. taxation and reporting – IRC § 901 credits

➤ Foreign tax credit (Form 1116)

- Foreign tax paid/accrued is used to offset U.S. tax
- Limited to U.S. tax imposed on foreign source income
- No credit for foreign tax allocable to excluded income



Net Investment Income Tax

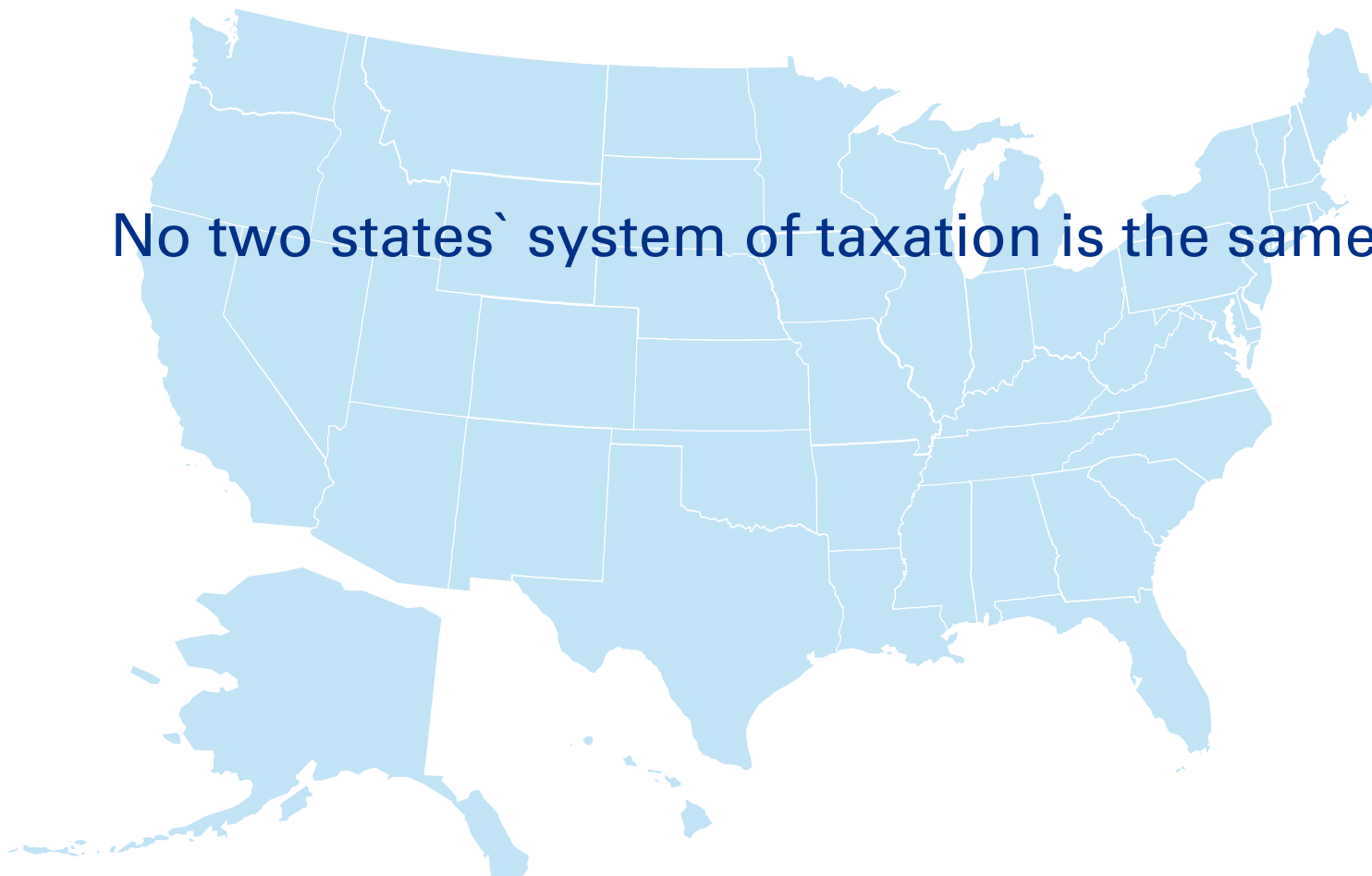
- 3.8 % tax on net unearned income when “MAGI” exceeds threshold
- **Thresholds (not indexed for inflation):**
 - Joint filers with MAGI over \$ 250,000
 - MFS with MAGI over \$ 125,000
 - Others with MAGI over \$ 200,000
- Cannot be offset with foreign tax credits



State taxation

State taxation

No two states` system of taxation is the same



State taxation in general

- State tax residents will be taxable on worldwide income and gains – echoing taxation of citizens at Federal level
- Non-residents will only be subject to tax in a state on income or gains 'sourced' to that state
- Income sourcing ,in general:
 - Compensation earned in respect of working time in the state
 - Rental income from real estate situated in the state
 - Income from business conducted in the state
 - Gains on assets with situs in the state
- Every state determines its residents differently

Massachusetts

- **Domiciled or not domiciled?**

- In general, your 'permanent home'; the place you intend to return to after being away
- You can only have one domicile
- Does not change until you demonstrate you have abandoned your current domicile and established a new one

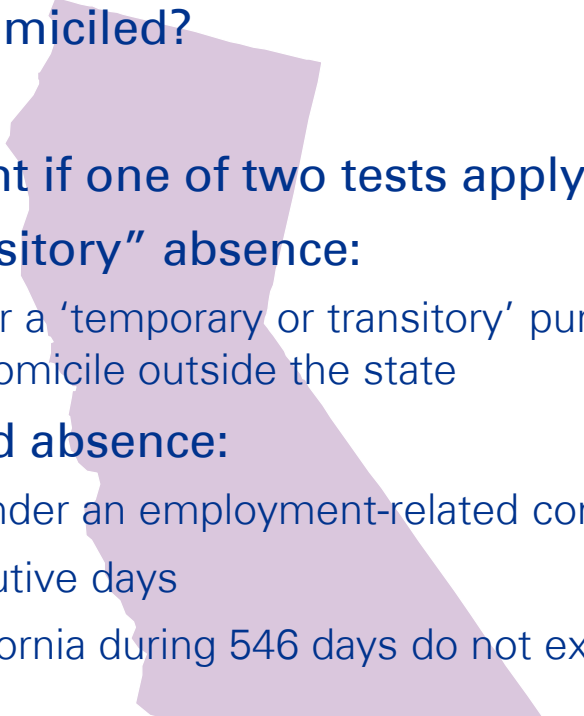
- **Full year resident:**

- Domicile: your home is in MA for entire year
- Non-domicile: You maintain a permanent place of abode in MA and spend more than 183 days or part days in MA during the tax year

- **Part year resident:**

- You move to or out of MA during the year and become/cease to be MA resident

California

- Domiciled or not domiciled?
 - If domiciled, resident if one of two tests apply
 - **“Temporary or transitory” absence:**
 - Outside California for a ‘temporary or transitory’ purpose – consider this to mean establishing domicile outside the state
 - **Employment-related absence:**
 - Outside California under an employment-related contract
 - At least 546 consecutive days
 - Return visits to California during 546 days do not exceed 45 during any taxable year
- 



Foreign accounts & assets

Report of Foreign Bank and Financial Accounts – Form FinCEN 114 (“FBAR”)

- **U.S. persons (citizens or residents) who have a financial interest in, or signature authority over a foreign financial account. Includes:**
 - Bank accounts
 - Brokerage accounts
 - Foreign mutual funds (although not hedge fund or private equity fund)
 - Life insurance/annuity contract with cash value
- **Aggregate value exceeding \$10,000 at any point during year**
- **Due date 17 April 2018 (for 2017), extension to 15 October**
- **Mandatory electronic filing**
- **Penalties can be either \$100,000 or 50% of the value of the account. Criminal penalties**

Statement of Specified Foreign Financial Assets – Form 8938

- **U.S. persons (citizens, residents and certain non-resident aliens) required to file as part of tax return**
- **Accounts and assets reported more broad than FBAR:**
 - Foreign bank and brokerage accounts
 - Investment vehicles such as foreign mutual funds, foreign hedge funds, and foreign private equity funds
 - Interests in a foreign entity, foreign partnership, foreign trust, or foreign estate
 - Stock issued by a foreign corporation, not held in an account
 - Deferred compensation payable by a foreign corporation
 - Foreign pension
- **Penalties can be \$10,000 plus further \$10,000 for every 30 days after IRS notice. Criminal penalties**

Statement of Specified Foreign Financial Assets – Form 8938

Report when foreign assets exceed thresholds:

Filing status	Living in	Meets reporting threshold if value of specified foreign financial assets is...	
		On Last Day of Year	On Any Day of Year
Unmarried / Married Filing Separately	United States	>\$50,000	>\$75,000
Married Filing Jointly	United States	>\$100,000	>\$150,000
Unmarried / Married Filing Separately	Foreign Country	>\$200,000	>\$300,000
Married Filing Jointly	Foreign Country	>\$400,000	>\$600,000



Interaction with Swiss taxation

Swiss and U.S. Tax - taxable compensation

Mrs. US Citizen

Exchange Rate: 1.0000

1 CHF=1USD

Compensations Details	Amounts Reported (Shown in CHF)	US Taxable Compensation (Shown in USD)	Swiss Taxable
<i>Wages</i>			
Base Salary	170'000	170'000	170'000
bonus	22'500	22'500	22'500
Matches Salary Brut per Lohnausweis	<u>192'500</u>		
Employee Swiss Social Security		n/a	(9'914)
Employee Pension contribution		n/a	(11'320)
Employer Pension Contributions	20'786	20'786	n/a
Representation Allowance	9'000	9'000	n/a
Total US Taxable Compensation CHF	<u>222'286</u>	<u>\$222'286</u>	<u>\$171'266</u>
		US taxable - to US return	Swiss taxable - to Swiss return

U.S. vs. Swiss investment income

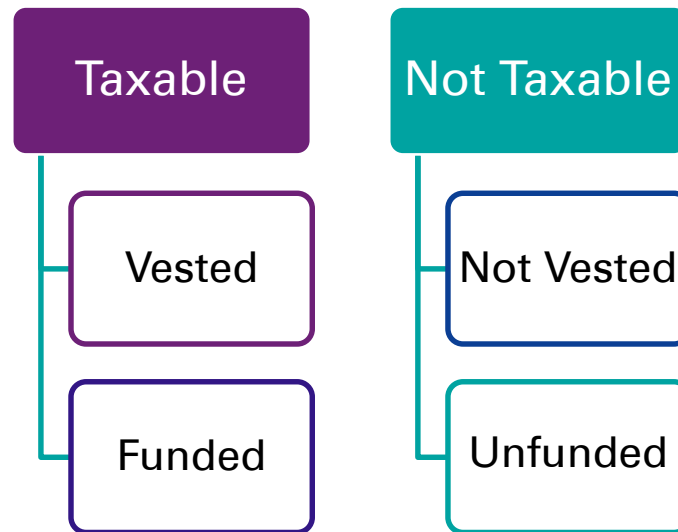
- No capital gains tax in Switzerland (except trader)
- 529 Plan (savings plan) taxable in Switzerland for wealth and income tax purposes
- U.S. tax exempt interest is taxable in Switzerland
- Dividends are taxed at ordinary rates (no preferential rate)
- For 2017, foreign property taxes and wealth taxes can be claimed as itemized deductions

U.S./Swiss Treaty – resourcing provisions

- Provides another approach to relief from double taxation
- Resources otherwise U.S. sourced income as foreign for *U.S. citizens* (not green card holders) resident in Switzerland
- Cannot reduce U.S. tax on income below the amount a non-citizen would pay
- Applies to:
 - U.S. bank interest
 - Dividends from U.S. corporations (although 15% U.S. tax generally applies)
 - Compensation related to U.S. workdays while Swiss resident

Swiss pension arrangements

U.S. tax implications for employer contributions to foreign pensions (absent treaty provision).



Swiss plans are required by law to be fully funded and to vest immediately:

- Employer contributions be added to U.S. taxable income
- In certain cases, plan earnings may also have to be included
- U.S. citizens cannot use the treaty to deduct a contribution to a Swiss pension while on assignment to the U.S.



Tax Reform

Scope and size of individual Tax Reform

Provisions		HR1 ^(a)
●	Reform of tax rates and thresholds	\$1,214
●	Increase in Standard Deduction	\$720
●	Repeal Alternative Minimum Tax	\$637
●	Reform of Family/Child/Individual tax credits	\$544
●	Changes affecting taxation of passthroughs	\$265
●	Estate Tax, Gift Tax, Generation-Skipping Tax	\$83
●	Repeal of personal exemptions	\$1,212
●	Repeal of Itemised Deductions	\$668
●	Alternative inflation measure (chained CPI)	\$134
●	Simplification of education incentives	\$0
●	Modification to exclusion for sale of principal residence	No provision in final Act
●	Repeal qualified moving expense exclusion/deduction	\$12
●	Repeal of deduction for alimony expenses	\$7
●	Reduce Affordable Care Act 'Individual Shared Responsibility Payment'	\$314
	Other provisions	-11
TOTAL PROJECTED COST OF INDIVIDUAL PROVISIONS OVER 10 YEARS		\$1,127

Notes:

Based on scores provided by the Joint Committee on Taxation (18 December 2017).

Amounts are in U.S. Dollar billions

Illustrations – U.S. domestic scenarios

(All USD)	Starting out Single, no dependents	Career focused Single, no dependents	Established Married couple, 3 kids in school	Saving for retirement Married couple, 2 kids in college	High earner Married couple, no dependents	Equity Married couple, no dependents
Salary	\$60,000	\$175,000	\$175,000	\$250,000	\$750,000	\$2,000,000
Gains and dividends	\$0	\$0	\$0	\$0	\$50,000	\$50,000
State tax paid	n/a (standard ded'n)	\$7,500	\$7,500	\$10,000	\$30,000	\$30,000
Property tax paid	n/a	\$4,000	\$4,000	\$7,000	\$12,000	\$12,000
Mortgage interest	n/a	\$10,000	\$10,000	\$25,000 (incl. \$5k home equity interest)	\$32,000 (new mortgage of \$900k)	\$32,000 (new mortgage of \$900k)
Student loan interest	\$2,500	\$0	\$0	\$0	\$0	\$0

Liability:

– 2017 law	\$7,514	\$34,838	\$24,790	\$40,697	\$235,103	\$756,203
– HR1	\$5,950	\$31,490	\$19,099	\$41,379	\$219,219	\$692,969
Difference	-\$1,564	-\$3,348	-\$5,691	\$682	-\$15,884	-\$63,234

Illustrations – International scenarios 2018

(All USD)	"A" Married 2 children	"B" Married 2 children	"C" Married 2 children	"D" Married 2 children	"E" Married 2 children	"F" Married 2 children	"G" Married 2 children
Salary	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000
U.S. tax due 2018	\$30,819	\$42,819	\$54,819	\$67,699	\$83,699	\$100,479	\$117,979
U.K. tax due 2018/19	\$70,372	\$92,408	\$114,909	\$137,409	\$159,910	\$182,410	\$204,911
FTC carry over	\$39,553	\$49,589	\$60,090	\$69,710	\$76,211	\$81,931	\$86,932
U.S. tax refund ^b	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800	\$300	\$0
Swiss tax due 2018 ^a	\$22,671	\$37,264	\$52,670	\$68,961	\$85,859	\$103,195	\$121,382
Residual U.S. tax due	\$8,148	\$5,555	\$2,149	\$0	\$0	\$0	\$0
Child tax credit	-\$4,000	-\$4,000	-\$2,149	\$0	\$0	\$0	\$0
U.S. tax payment	\$4,148	\$1,555	\$0	\$0	\$0	\$0	\$0
U.S. tax refund	\$0	\$0	\$651	\$2,800	\$2,800	\$300	\$0
FTC carry over	\$0	\$0	\$0	\$1,262	\$2,160	\$2,716	\$3,403

a: Swiss tax calculated as Federal, Zurich canton and Zurich city

b: Subject to confirmation or clarification in IRS guidance

What's not in



- ☒ Principle of taxation based on citizenship rather than residence
- ☒ 3.8% Net Investment Income Tax
- ☒ Taxation of long term gain and qualified dividends at preferential rate
- ☒ "401(k)" retirement savings plans
- ☒ AMT repeal
- ☒ Estate tax repeal
- ☒ s911



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