fidinam Genève

Newsletter

February 2024

FINANCIAL AND TAX UPDATES

1. AML and Transparency Standards

1.1 Switzerland

Switzerland has been removed from FATF's enhanced follow-up regime, following a re-evaluation of its AML regime. The country made considerable progress by revising its Anti-Money Laundering Act, especially in terms of customer due diligence and the implementation of FATF's recommendations. Switzerland's efforts to comply with international AML standards were recognized, and it now has a majority of recommendations rated as largely compliant. The Swiss Federal Council has acknowledged this achievement but also noted that further measures would be necessary, particularly concerning the transparency of legal entities and the structuring of companies and trusts.

The removal of Switzerland and Panama from FATF's monitoring lists is not just a regulatory success but also enhances these jurisdictions' reputations in the global financial system. It reflects the ongoing global efforts to combat money laundering and the financing of terrorism by ensuring jurisdictions adhere to stringent regulatory standards and practices.

1.2 Panama and the Cayman Islands

Both Panama and the Cayman Islands were previously placed on FATF's "grey list," indicating strategic deficiencies in their AML frameworks. The removal of these jurisdictions from the list highlights their successful efforts in addressing and rectifying the identified deficiencies. This development signifies their commitment to enhancing AML measures and aligning with international standards.

2. BVI Business Companies: Annual Financial Return

The BVI has been removed from the EU's list of non-cooperative jurisdictions for tax purposes, highlighting its efforts to align with international tax governance standards.

In this context, starting January 1, 2023, the British Virgin Islands introduced new annual return requirements for business companies under the Business Companies Act (As Revised). These companies must now file an annual return detailing certain financial information within nine months of the calendar year end, or by the end of the company's financial year if it differs. The first return applies to the 2023 financial year, with submissions due by the end of September 2024 for companies on a calendar year end. This initiative aims to enhance financial transparency while providing exemptions for specific entities.

3. Tax updates in Switzerland

3.1 VAT Rate Adjustments

Switzerland adjusted VAT rates effective January 1, 2024, with the standard rate increasing to 8.1%, the reduced rate to 2.6%, and the special rate for lodging services to 3.8%.

3.2 Minimum Interest Rates on Loans or Advances to Shareholders

Starting January 1, 2024, the minimum interest rates on loans or advances to shareholders and related persons financed through equity will remain at 1.5% for CHF. However, there will be adjustments for other currencies: the rate for EUR will decrease to 2.5% from 3%, and the rate for USD will increase to 4.25% from 3.75%.

These rates apply if no interest is due on foreign capital.

3.3 Income Tax Deductions

Deductions for health insurance premiums and savings capital interest will not increase in 2024, maintaining the current fiscal policy.

3.4 Minimum Taxation for Large Corporate Groups (OECD Pillar 2)

The OECD's Pillar 2 initiative introduces a minimum tax rate of 15% on profits for large multinational groups to ensure they pay a fair share of taxes. This supplementary tax applies directly to groups with a global consolidated revenue of at least EUR 750M and taxation below 15%. Approved by the populace on June 18, 2023, transitional provisions will allow the Federal Council to temporarily implement the minimum tax via ordinance, effective January 1, 2024.

3.5 Income Tax and Rental Value Changes

A reform under consideration aiming to modify the taxation system for personal-use properties. Key proposals include eliminating the imputed rental value for owner-occupied homes, allowing a deduction of debt interest limited to a maximum of 70% of the taxable return on wealth, and eliminating the deduction for maintenance expenses. The reform seeks to adjust the fiscal treatment of primary residences, with several details pending clarification.

3.6 Individual Taxation Project

The Swiss government is discussing a reform for individual taxation, aiming for all taxpayers, including married couples, to file individual tax returns. This change seeks to eliminate the "marriage penalty" in taxation. The project is still under debate.

3.7 Geneva

- <u>Abolition of the Communal Professional Tax</u>

To offset the abolition of the Communal Professional Tax (TPC), Geneva plans to increase the corporate profit tax rate from 14% to 14.7%, inclusive of federal tax. This adjustment aims to maintain fiscal balance while simplifying the tax structure for businesses in the region.

- <u>Equitable Taxation for Separated or Divorced Parents</u>

Starting January 1, 2024, Geneva will implement equitable taxation for separated or divorced parents who equally share the care and maintenance of their children. This approach, known as partial splitting, applies to the 2024 tax declarations filed in 2025, aiming to ensure fairness in the tax system for these families.

- <u>Contribution and Allowance Rates Adjustment</u>

Geneva adjusts its contribution rates for maternity allowances and family allowances effective January 1, 2024, reflecting a commitment to optimizing social support mechanisms.

The contribution rate for cantonal maternity allowance (Amat) for both employees and employers will decrease from 0.041% to 0.038%. Similarly, the contribution rate for family allowances (AF) paid by employers will reduce from 2.34% to 2.28%.

- <u>Minimum Wage Adjustment</u>

As of January 1, 2024, the minimum hourly wage in Geneva has been set at 24.32 CHF, reflecting an adjustment from the previous year's rate of 24

CHF. This change is part of an ongoing effort to address living costs and ensure fair compensation. The minimum wage is indexed annually to the cost of living, based on the Geneva consumer price index.

- Modification of the LEFI

On June 18, 2023, Geneva's population approved a modification of the LEFI (Law on the Fiscal Estimation of Certain Properties), introducing measures to reduce wealth tax.

To offset this, an increase in the tax rate on real estate profits from 0% to 2% starting January 1, 2024, is proposed.

Geneva has the highest wealth tax rate in Switzerland (1.01%).

Measures include:

- a one-time increase of 12% in the fiscal value of properties acquired before 2013,
- indexing fiscal values of properties to the Geneva consumer price index (capped at 1%),
- a reduction in supplementary real estate tax (from 0.1 to 0.02),
- a 15% reduction in wealth tax, and
- a new 2% tax on profits from selling properties owned for 25+ years.

Following an appeal, the law's implementation has been indefinitely postponed by the State Council.

Should you have any questions or require further clarification on the topics discussed in this newsletter, please do not hesitate to contact us.

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