

Year-end 2022 - Fidinam input at the turn of the year

Every year, the turn of the year presents companies, and in particular the HR department and payroll department, with new challenges. For example, in addition to the work that has to be done every month, the year-end closing has to be prepared and everything has to be ready for the new year. In addition, the legal framework changes every year. In some years more, in others less extensively. The upcoming turn of the year is no exception to this.

In the following, we have summarized some of the most important changes with regards to the turn of the year. The overview does not claim to be exhaustive but highlights specific areas where companies in Switzerland need to take action. For further information, please do not hesitate to contact your client manager or Dominic Müller.

Social Security

Discontinuation of ALV solidarity percentage

For more than ten years, the so-called solidarity percentage has been levied on incomes above CHF 148,200 per year. Introduced in 2011, the purpose of the deductions, which are borne equally by the employee and the employer, was to reduce the burden on the unemployment insurance system. At the end of 2022, the equity of the unemployment insurance will again exceed the required threshold, which means that the legal basis for levying the solidarity percentage will cease to exist.

Introduction of adoption compensation as of 01.01.2023

As of January 1, 2023, employed persons who take in a child under the age of four for adoption are entitled to a two-week adoption leave compensated by income compensations (EO). The eligibility requirements for adoption compensation are the same as for maternity or paternity compensation. The Federal Compensation Office is responsible for processing applications for adoption leave, and not the competent cantonal compensation office as is usually the case.

The adoption allowance amounts to 80 percent of the average earned income, but not more than CHF 220 per day. If both parents are employed, they can freely divide the two weeks of leave between them, but they cannot take the leave at the same time. In the case of the adoption of several children, the entitlement is granted only once; in the case of the adoption of a stepchild, no adoption allowance is granted.

Increase in AHV minimum pension - adjustment of threshold values

As of January 1, 2023, AHV and IV pensions will again be adjusted to current price and salary trends and increased by 2.5%. The development is based on the so-called pension index, which takes into account both price and wage developments. Since the AHV minimum pension acts as a reference point for numerous thresholds in the Swiss pension system, various adjustments result (list not exhaustive):

OASI / Invalidity insurance	2022	NEW as of 01.01.2023
OASI minimum pension	CHF 1'195	CHF 1'225
OASI maximum pension	CHF 2'390	CHF 2'450
OASI maximum pension married couple	CHF 3'585	CHF 3'675
Minimum contribution OASI/II/EO	CHF 503	CHF 514
Occupational pension LPP	2022	NEW as of 01.01.2023
Entry threshold	CHF 21'510	CHF 22'050
Coordination deduction	CHF 25'095	CHF 25'725
Upper limit annual salary	CHF 86'040	CHF 88'200
Minimum coordinated salary	CHF 3'585	CHF 3'675
Third Pillar	2022	NEW as of 01.01.2023
Max. contribution with LPP	CHF 6'883	CHF 7'056
Max. contribution without LPP	CHF 34'416	CHF 35'280

The increase in AHV pensions will change other limits in the Swiss social security system. At this point, we would like to particularly emphasize the increase of the maximum daily rates for benefits from the income replacement scheme (maternity, paternity and care allowances) from currently CHF 196 per day to CHF 220 per day. The income required to claim child allowances will also increase to CHF 7,350 per year.

Adjustment of cantonal social security contributions

Already known are adjustments to contributions to the social fund in the canton of Schaffhausen and to maternity insurance in the canton of Geneva.

Cantonal Social Security	Up to 2022		As of 2023	
	Employer	Employee	Employer	Employee
Social Fund Canton Schaffhausen	0.12%	0.06%	0.08%	0.04%
Maternity Insurance Geneva	0.043%	0.043%	0.041%	0.041%

Adjustment of child allowances as of 2023

Various changes are also planned for cantonal child allowances as of 2023. Not all cantons have communicated the potential changes yet, so it is important to monitor the relevant newsletters. Already known and communicated are the new values from 2023 as follows:

Canton	Child allowance (<12 years)	Education allowance (12-16 years)	Education allowance (during formation 15-25 years)	Adoption allowance
Lucerne	CHF 210	CHF 260	CHF 260	CHF 1'000
Graubünden	CHF 230	CHF 280	CHF 280	n/a
Wallis (Entry into force still unclear)	CHF 305	CHF 445	CHF 445	unchanged CHF 2'000
Geneva*	CHF 311	CHF 415	CHF 415	CHF 2'073

*) The adjustment in the Canton of Geneva has been decided by the State Council after the index of consumer prices in Geneva increased by 3.7%.

After negotiations between the social partners it was agreed to reduce the contribution rate for family allowances to 2.34% (so far 2.40%) of the relevant income.

YES to OASI reform (vote on September 25, 2022)

On September 25, 2022, the people and the cantons approved the OASI 21 reform, thereby securing the financing of the OASI until 2030. Both the amendment to the OASI Act and the federal resolution on the additional financing of the AHV through an increase in value-added tax were approved. The two bills were linked to each other.

The finances of the OASI and the level of pension benefits are thus secured for the next ten years. The reference age for women and men will be standardized at 65, retirement will be made more flexible, and value-added tax (VAT) will be increased slightly. However, this reform does not yet bring any innovations for the turn of the year 2022/2023: The reform is confirmed to come into force on January 1, 2024, with the gradual increase in the women's retirement age, together with the compensatory measures for women of the transition generation, not coming into force until one year later.

Home office in an international context

During the Corona pandemic, the application of the coordination rules under the Agreement on the Free Movement of Persons with the EU was suspended with regard to subordination in the social security schemes. This meant that a person continued to be subject to Swiss social security rules even if he or she carried out his or her work in the form of a home office in his or her country of residence. This special rule was initially limited until June 30, 2022, but was then extended initially until December 31, 2022, and in the meantime again until June 30, 2023. It is important to note here that this exemption applies exclusively to social security law, but not to taxation.

Border commuters France and Italy

The treatment of cross-border commuters from France and Italy remains unclear with regard to 2023. The bilateral agreements agreed against the background of the Corona pandemic are limited until December 31, 2022. A successor solution has not yet been found with either country. Switzerland had already agreed a new cross-border agreement with Italy some time ago, but ratification by the Italian authorities is still pending. If the Italian authorities ratify the agreement this year, it will come into force on January 1, 2023, and will provide some fuel for fire. The implementation of the agreement is still far from clear.

During the Corona pandemic, a so-called "accord amicable" was concluded between Switzerland and France, which clarified the treatment of home office days through a fiction of the place of work in Switzerland. This agreement is applicable until December 31, 2022, a successor regulation is not yet available.

Minimum interest rate BVG

The Federal Council has decided to set the minimum interest rate for occupational pension plans at 1% again next year. It is thus following the recommendation of the BVG Commission. The minimum interest rate determines the minimum interest rate that must be paid on the pension assets of those insured under the BVG mandatory pension scheme.

This decision comes against the background of a tense situation in the financial situation of the occupational pension plans. As of the end of September 2022, the pension funds are showing an average performance of -15.3% and are only achieving an average funding ratio of 99.5%, compared with 118.5% just nine months earlier. The legally required fluctuation reserves will now probably have to be partially released. It cannot be ruled out that individual pension funds will show a shortfall in cover at the end of the year and that restructuring measures will therefore have to be initiated.

Social security agreement with Tunisia

The social security agreement between Switzerland and Tunisia entered into force on October 1, 2022. It coordinates the social security systems of the two contracting states in the areas of old age, survivors and disability and regulates in particular the payment of pensions abroad.

The agreement regulates relations between Switzerland and Tunisia in the field of social security. It corresponds to the other social security agreements concluded by Switzerland and is based on international standards for the coordination of social security systems. It covers old-age, survivors' and invalidity pensions, i.e., OASI and II in Switzerland.

Social security agreement with Albania

The agreement, signed on February 18, 2022, regulates the social security relations between Switzerland and Albania. It covers old-age, survivors' and disability benefits and is based on international standards for the coordination of social security systems. The agreement grants insured persons largely equal treatment and facilitated access to social security benefits. In particular, it

allows pensions to be paid abroad. It also contains a basis for cooperation in combating abuses. The agreement facilitates the mobility of nationals of both countries and avoids double subjection to both social security systems. It will enter into force as soon as the parliaments of both states have approved it.

Taxation

Company cars

Introduced in 2016 as a result of the FABI vote, employees with a business vehicle were previously charged CHF 0.70 per kilometre of the commute as a non-cash benefit. In contrast, a deduction for professional expenses of up to CHF 3,000 per year was available at the federal level; the cantonal regulations varied. Employees in field service were able to reduce the offsetting of the commute by the percentage of field service activity (salary statement item 15).

As of January 1, 2022, the lump-sum offset for the private share of business cars is 0.9% of the net price of the vehicle, up from the previously 0.8%. In return, it is no longer necessary to offset the commuting expenses in the tax return. The proportion of the total workload accounted for by field service also no longer has to be shown on the salary statement. Employees for whom this adjustment potentially leads to a disadvantage are still free to document their own private use of the company vehicle by means of a logbook.

Withholding tax Geneva

As of January 1, 2023, the age limit of 18 years for determining the withholding tax rate with regard to the number of children no longer applies in the canton of Geneva. Children up to the age of 25 can now be claimed, even if they are not in education, provided they have an income of less than CHF 15'558 and/or assets of less than CHF 88'777.

Withholding tax rates 2023

For 2023, it can be expected that all cantons will make adjustments to the withholding tax rates and therefore publish new rate tables. This is against the background of adjustments to lump sums, which are taken into account in the withholding tax rates. The cantons will publish the new rate tables in the coming weeks.

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