

NEWSLETTER

June 24, 2010

VAT Reform – 2nd part of the reform Single VAT rate and abolition of exceptions

On June 23, 2010, the Federal Council released its comments regarding the second part of the amendment of the Swiss VAT law. In our [newsletter](#) of July 30, 2009 we were already commenting the first part of the amendment, which already entered into force on January 1st, 2010.

This second part entails mainly the introduction of a **single VAT rate** (versus currently three different rates), together with the abolition of numerous current **exceptions** (mainly in domains such as health, sport, mail and education).

The Federal Council proposes a rate of **6.5%** (including the *temporary* increase of the VAT rate to finance the invalidity insurance - entry into force on January 1st, 2011). The 6.5% rate corresponds to the rate set by the Federal Council once VAT has been introduced in Switzerland more than 10 years ago...

This amendment is not without significant consequences. Notably, all healthcare services will newly be subject to VAT, which means that the final consumer will pay 6.5% in addition to the current service charge. In addition, **health insurance premium** will be increased by 3.1% to compensate this measure! Sport and education are also concerned by this amendment. Furthermore, food and non alcoholic drinks (currently taxed at 2.4%) will newly be subject to a rate of 6.5%. The only remaining exceptions will be in the fields of:

- financial and insurance services
- Bet, lottery and hazard games
- Sale and rent of property
- Natural products (farm production)
- Services within the same public entity

DS TAX CONSULTING



Rue des Terreaux 2 1003 Lausanne
T: 021 311 00 53 F: 021 311 00 58
info@dsconsulting.ch www.dsconsulting.ch

The Federal Council justifies this antisocial measure by seeing a global reduction of the expenses of the tax payers due to this new VAT rate. One should nevertheless stay realistic: will in the end the tax payer really pay less? It is likely that the service providers and suppliers will not reduce their prices after the new rate is in force, leading globally to an increased tax charge of the tax payer. Recent similar measures in France have proven this scenario (reduction of the VAT rate in catering). Additional details on the position of the Federal Council can be obtained [here](#) (French version only).

The entry in force has not been set yet. The Federal Chambers will first examine the amendment proposal and the Federal Council will then have to adopt the ordinance and determine the entry in force. We can expect an entry in force on **January 1st, 2012**, though 2011 is still possible.

For any questions on the subject, Daniel Spitz stays at your disposal.

Daniel Spitz

Certified Tax Expert

T: +41(0)21 311 00 53

M: +41(0)79 709 66 49

dspitz@dsconsulting.ch

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