



The consequences of individual taxation on lumpsum taxation

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On 8 March 2026, the Swiss people accepted the Federal Law on Individual Taxation, which provides that each taxpayer will be taxed individually regardless of their marital status. In summary, while today people living in the same household without being married file two tax returns, a married couple only files one jointly. The purpose of this article is to present the consequences of this legislative change in the tax system for taxpayers who are subject to expenditure-based taxation in Switzerland.

This method of taxation, also known as “lump sum taxation”, allows taxpayers who meet a certain number of conditions to be taxed, not on their income and wealth, but on their expenses. The requirements to benefit from this regime are as follows: the taxpayer must not be a Swiss national; he or she must not have been taxed in Switzerland in the last ten years with an unlimited tax liability under the ordinary taxation regime; he or she may not have a gainful activity in Switzerland. Some cantons are particularly restrictive regarding the interpretation of this last condition, excluding the possibility for a lumpsum taxpayer to hold an operational position abroad.

To comprehend the implications of the new legislation, it is essential to consider three key points. Like all other married taxpayers, married couples under the lumpsum taxation system presently submit a joint tax return. However, although the tax base is set by the expenses of the taxpayer or the taxpayers, there are legal minimums at both the federal and cantonal levels. For example, married lumpsum taxpayers domiciled in the canton of Geneva cannot be taxed on an amount less than 435,000

francs for direct federal tax (IFD) and 468,993 francs for cantonal and municipal taxes (ICC). Following the legislative revision of expenditure-based taxation effective from 28 September 2012, the law requires that both spouses residing in a common household must satisfy the stipulated conditions. Notably, in contrast to prior provisions, couples where one partner holds Swiss nationality are no longer eligible for lump sum taxation.

The implementation of the individual tax system in Switzerland will result in three significant consequences for couples taxed on an expenditure basis. It should be noted that this change will not affect unmarried couples residing together, where one partner is subject to lump sum taxation.

First, each partner will have to file their own tax return, as they will be taxed individually.

Secondly, the minimum amounts mentioned above will apply individually to all lump sum taxpayers, regardless of their marital status. In other words, the minimum



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amounts currently apply to the spouses jointly whereas under the individual taxation rules, each spouse subject to lumpsum taxation will be taxed separately and subject to these minimum amounts individually. Given the alteration in the system, married lumpsum taxpayers must evaluate the suitability of both individuals continuing under the expenditure-based taxation regime. The assessment should be guided by several key parameters outlined below.

On one hand, the outcome partly relies on how assets are divided between spouses. For instance, if just one partner has significant wealth, it is often preferable for that individual to be taxed under the lumpsum taxation regime. On the other hand, the problem will not arise in the same way for lump sum taxpayers who are taxed on a high amount of expenses as for those taxed on the minimum amount. Indeed, while for the latter, the fact that each spouse remains taxed under this regime will result in the couple paying up to double the tax, this will not be the case for spouses who, for example, are taxed on an joint expenditure of 2 million francs. In such a case, it is quite conceivable that the spouses would be taxed on an expenditure of 1 million francs each, which would be relatively neutral from a tax point of view. Lastly, should a married couple seek to restructure their assets - such as arranging for only one spouse to be taxed on expenditure - it is essential to verify that such a change does not trigger any gift tax liability. In Geneva, gifts between spouses are not taxed if the donor is taxed under the ordinary regime. However, a 6% tax applies if the donor was subject to lumpsum taxation in any of the last three tax definitive tax assessments.

Finally, as mentioned above, currently the conditions for benefiting from expenditure-based taxation must be met by both spouses living in the same household. This means, among other things, that if one of the spouses is Swiss or if one of the spouses is gainfully employed in Switzerland, lumpsum taxation is excluded for both spouses. With the Swiss people's acceptance of individual taxation, this requirement has been struck out of the law. Consequently, as soon as this new system is in force, one of the two

spouses will be able to decide to be taxed under the ordinary regime. The spouse who is not subject to the lump-sum taxation regime may be a Swiss national and/or engaged in gainful employment in Switzerland, while the other spouse may continue to be taxed based on expenditure. It is evident that the spouse who holds most of the family's wealth would have a strong interest in retaining lump-sum tax status.

The new law approved by Swiss voters on 8 March 2026 is expected to have considerable implications for lump-sum taxpayers. It will be essential to engage in careful planning, which should remain possible given the extended transition period. Individual taxation is not anticipated to be implemented prior to January 1, 2032. ■

