



Federal Department of Finance FDF
Bundesgasse 3
Bernerhof

By e-mail to vernehmlassungen@estv.admin.ch

Bern, 4 April 2023

SwissHoldings Statement Federal Act on the Tax Deduction of Professional Expenses of Employed Persons

Dear Federal Councillor Karin Keller-Sutter,
Dear Mr Bree,
Dear Ladies and Gentlemen,

We would like to thank you for the opportunity to comment on the Federal Act on the Tax Deduction of Professional Expenses for Employed Persons, which was opened for consultation on 21 December 2022.

SwissHoldings is a cross-sector business association of industrial and service companies in Switzerland and currently represents 62 member companies. Our members are major issuers on the capital market; they account for around 66 percent of the total Swiss stock market capitalisation (as of 31 March 2022).

Summary

A strong and attractive location throughout Switzerland is of central importance for us and our members. Therefore, we fundamentally welcome measures that take into account the modernisation and flexibilisation of the world of work. Neutral treatment of the various forms of work in the tax deductibility of professional expenses with simultaneous administrative simplification plays a central role here. The promotion of new forms of work also increases economic efficiency and thus the attractiveness of Switzerland as a business location and at the same time, as mentioned in the report, can have possible positive effects on the transport infrastructure



(Report, p. 25). The equal tax treatment of different forms of work such as working at home, mobile working or working on site is a legitimate and understandable concern in view of the increasing opportunities and the changing needs of society. However, the goal of reducing the burden on taxpayers and tax administrations could be missed by the proposed flat rate. Among other things, the deduction of travel costs is insufficiently taken into account. However, this plays an important role, especially for professions with little or no home office options. Added to this is the fact that the cantons and taxpayers have different needs, among other things due to different topographical conditions (rural or urban cantons). Also, production sites tend not to be located in highly populated centres. Last but not least, professions that can only carry out their activities locally must also be taken into account, and travel costs thus represent an important component and cost item for taxpayers. SwissHoldings therefore takes the following view:

- 1. The introduction in the DBG and StHG of a salary-dependent percentage lump sum is preferable to a fixed lump sum (e.g. 6 per cent of net salary) with a lower and upper limit in terms of amount (e.g. CHF 4,000 and CHF 8,000 per year).** Otherwise, if the flat rate is too low, there is a risk that the actual costs will be preferred by the taxpayers instead of the flat rate (cf. also report, p. 19), which leads to additional expense.
- 2. Regardless of the form of the lump sum (fixed or wage-dependent percentage lump sum), the travel costs should continue to be allowed for deduction as before and the effective costs for the weekly stay away from home.**
- 3. Last but not least, SwissHoldings firmly rejects the possible introduction of an obligation for employers to declare home office days in the salary statement. The simplification of the salary statement by eliminating the confirmation of "canteen meals / lunch checks" (field G in the salary statement) is welcomed.**

1. Simplification and contemporary modernisation of the Swiss tax system

SwissHoldings generally welcomes initiatives to simplify the tax system. A low administrative burden is beneficial for both taxpayers and tax administrations and improves the attractiveness of Switzerland as a business location. In addition, a regular analysis of the changing social conditions and habits, especially through digitalisation, but also through other trends, is indispensable for Switzerland as a business location in order to continue to attract and retain the best workers and successful companies. **Adjustments regarding the neutral treatment of the tax deductibility of professional expenses for the various forms of work represent an important step in this regard. The possibility of a lump sum is particularly welcomed in cases where the expense for the taxpayer and the tax administrations is disproportionately high. This applies in particular to the deduction for the additional costs of meals away from home and the deductions in connection with home office activities.**

2. Design of the lump sum

A full lump-sum deduction of professional expenses partly disregards the considerable differences in the underlying circumstances. This applies in particular to the deduction of travel expenses, which is regulated very differently in the individual cantons due to the different topographical conditions, among other things. If travel costs were to be included in a flat-rate solution, we believe there would be a risk that a larger number of taxpayers would claim the deduction of actual

professional costs instead of the flat-rate solution. An effective lump sum for most taxpayers would mean that the lump sum deduction would tend to be high. This is presumably particularly true in cantons with a currently high or unlimited deduction for travel costs. Lower flat-rate deductions entail the considerable risk that the goal of simplification associated with the proposal will not be achieved overall. If the simplification is not achieved, the expense will increase both for the administrations and for many taxpayers who, in order to avoid additional tax burdens, will claim the deduction of the actual costs. In addition, the risk of an increasing tax burden could harm the attractiveness of Switzerland as a business location. The revenue-neutral lump-sum deduction of professional expenses at an amount of CHF 5,800 results in winners and losers on the taxpayer side. The result depends in detail on the individual travel costs, but also on the other professional costs. Today, the deduction of other professional expenses is partly wage-dependent in that it is structured as a proportional rate with lower and upper limits in terms of amount . The wage dependency would cease in future, which would result in a lower deduction and a higher tax burden, especially for higher incomes. However, a higher tax burden for a larger number of taxpayers due to the restriction of deductions must be avoided at all costs. **The introduction of a wage-dependent percentage lump sum in the DBG and StHG is therefore preferable to a fixed lump sum (e.g. 6 per cent of net wages). The lump sum should then be designed with a lower and upper limit in terms of amount (e.g. CHF 4,000 and CHF 8,000 per year).** If the flat rate is too low, there is otherwise a high risk that the actual costs instead of the flat rate will be preferred by the taxpayers (cf. also Report, p. 19), thus creating additional expense for all parties involved. **The cantons should remain free to set a higher flat rate.**

3. Retention of the deductions for travel costs as before and the effective costs for the weekly stay away from home

The aim of the bill is precisely to reduce distortions in the choice between the different forms of work and to reduce the administrative burden for both taxpayers and the tax authorities. However, with regard to the neutrality of the form of work, it should be noted that certain groups of people - e.g. people with a high proportion of home offices - will benefit more from the flat rate than commuters. **Travel costs should therefore be excluded from the flat rate and the currently applicable regulations at both federal and cantonal level should be retained.** In this way, the different constellations and needs of the cantons (rural and urban cantons) and their taxpayers can be better taken into account. Likewise, the **effective housing costs of weekly residents should continue to be allowed for deduction.** For this relatively small group of persons, the inclusion of housing costs in the fixed lump sum would result in an unjustifiable disadvantage.

4. Retention of the taxpayer's option between application of the flat rate or the effective costs

A flat rate has a simplifying effect and reduces the effort for both taxpayers and tax administrations. However, a flat rate cannot sufficiently cover all cases and special cases in particular cannot be sufficiently covered by a flat rate. In order **to avoid discrimination in these cases in particular, taxpayers must still be able to base their calculations on the actual costs.** If the actual costs are higher due to special circumstances and are therefore not covered by the flat rate, these should also be allowed for deduction. Such a right to choose does not undermine the intended simplification if the lump sum is properly designed and set at the right level, as the majority of people would still choose the lump sum. If too many people nevertheless claimed the actual costs, this would be

a clear sign that the lump sum was set too low or designed incorrectly.

5. Practical and effective solutions for claiming actual costs

In the event that a taxpayer exercises his right of choice and thus claims the effective costs, attention should be paid wherever possible to **an efficient and practicable declaration option**. This is in the interest of the taxpayer, but also to keep the control effort of the tax authorities as low as possible. **Therefore, instruments that are impracticable or have not proven themselves in the past, such as the logbook, should be dispensed with. These would** otherwise lead to unnecessary expense for the taxpayer as well as unnecessary and complicated control efforts on the part of the tax administrations. This will in fact make it impossible to exercise the right of option. A taxpayer will tend to claim the actual costs only if the discrepancy with the flat-rate solution is also significant and therefore justified.

6. Clear rejection of a possible introduction of the obligation for employers to declare home office days in the salary statement

Simplifications and **simplifications in the declaration in the salary statement are welcomed in principle**. In particular, the simplification of the salary statement and the **relief for employers by eliminating the confirmation of "canteen meals / lunch checks" (field G in the salary statement)**. This reduces distortions in the choice or mixed arrangement of forms of work (e.g. in the case of a mixed solution of on-site work and home office work). In addition, better account is also taken of groups of people who, for example, can never make use of canteen meals due to food intolerances.

As an important side note, we would like to add that the **business community firmly rejects the possible introduction of an obligation for employers to declare home office days in the salary statement**. Such a declaration obligation would not be in line with the self-responsibility of taxpayers, which is a basic principle of income taxation in Switzerland. **A general home office declaration obligation would impose new obligations, additional bureaucracy and considerable risks on employers. In addition, the relationship of trust with employees would be severely damaged**, as the legal obligations imposed would make it unavoidable to monitor and record the employee's place of work. Such a recording would bring with it considerable further challenges and an excessively high and costly administrative burden. Moreover, it is doubtful whether an effective, cost-efficient control by the tax administration would be feasible at all. **Consequently, a general home office declaration obligation is under no circumstances a sensible alternative to the present reform project.**

We thank you for the opportunity to comment and hope that you can agree with our arguments. We are at your disposal for any explanations or information on our comments.

Kind regards

SwissHoldings

Office

Dr Gabriel RumoClaudiu
DirectorPolicy

A. Antal
Manager