

Explanations for the tax return

Basic information

Under the law, people not domiciled in Switzerland are taxed in the canton (s) in which the properties they own are located, from the date of registration in the Land Registry. The same applies to the cessation of taxation (entry of the deletion in the Land Registry). Indeed, the taxes collected with it are:

- Cantonal taxes on capital and income;
- Municipal taxes on capital and income;
- Municipal property taxes;
- Federal income taxes.

In accordance with Art. 127 of the Valais tax law, the tax authority may require the taxpayer domiciled abroad to have an agent or a representative in Switzerland to whom notifications can be sent. This may be the case when there are language-related communication difficulties, for example. In case of litigation, it is recommended that you contact a tax advisor (trustee) in Switzerland, especially in Valais, who is able to communicate in the official language of the location of the properties and who can advise and inform you directly about your rights and obligations.

Taxes on capital (canton and commune)

The gross taxed wealth is made up of **the tax value of buildings and real estate**. This tax value is equivalent to the cadastral value communicated to us directly by the municipal administration of the place where the properties are located.

The gross assets can be reduced by any mortgage debts in proportion to your total assets in Switzerland and abroad (apportionment). The total fortune abroad must be indicated at their market value, with supporting documents.

Income tax (canton, municipality, Confederation)

Gross income consists of **the rental value** of the properties, which is determined on the basis of local rental possibilities **and actual rentals received**. Where applicable, the rental value is reduced proportionally to the rental periods.

As a rule, the rental value is determined in agreement with the municipality in which the properties are located if there is a personal use.

This is the price that **the taxpayer would have to pay as rent for premises of the same nature** in a comparable situation. The fact of reserving the free disposal of a building at all times constitutes an economic advantage comparable to a rent.

Maintenance costs that do not lead to an increase in the value of the property can be deducted from the gross rental value. The taxpayer can choose between a flat fee (10% if the property is less than 10 years old, or 20% if it is over 10 years old) or an actual fee based on the presentation of supporting documents and paid in the tax year concerned.

Heating and water consumption costs are only deductible on the actual rental share of the property.

You are invited to use the annexes attached to the tax return to declare this income.

Property taxes (notified only by the municipality where the properties are located)

These taxes are levied for properties built on the fiscal values without deduction of debts, at fixed rate of 1‰.

Debts and interest liabilities

Interest on **debts and proven Swiss mortgage debts** are deducted in proportion to the total assets in Switzerland and abroad (apportionment). In order to make an accurate calculation, we must be in possession of all the elements requested under the heading "conclusions".

However, **for the sake of simplicity**, and in order to avoid you having to submit all the requested elements, we accept a lump-sum deduction of 10% of the annual interest liability as well as 10% of the Swiss mortgage debt. This solution is applied to the sole condition that the certificates of debt and interest liabilities on the property in Switzerland, drawn up by the bank, with a value as at 31 December of the tax period concerned, are submitted and attached to the tax return.

In the absence of supporting documents, the deduction will be fully refused.

Tax rate

With the exception of municipal property taxes, the tax rates are variable and **determined by the taxpayer's total assets and income in Switzerland and abroad** (art. 5 para. 5 LF and art. 7 para. 1 LIFD), as if they were taxable in the canton of Valais and in Switzerland.

Documents and information to enclose

- **The attached tax return and its attachments** duly completed in Swiss francs at the exchange rate of 31 December of the relevant tax year, dated and signed.
- A copy of the tax return from your country of residence, together with a copy of the corresponding tax form.
- **A detailed inventory at market value** of all of your movable and immovable assets (securities, cash, vehicles, works of art, real estate, etc.) as at 31 December of the fiscal year concerned, in Swiss francs the exchange rate on 31 December.
- If you choose to deduct the actual building maintenance costs, a list of the related costs (use Appendix 1 of the declaration) accompanied by all the supporting documents; in the case of co-ownership, full details of the breakdown of charges per thousandth (detailing separately the costs of heating and water consumption).
- **Details of the gross rentals received** (including charges), with precise details of the rental periods for your property (use attachment 2 of the declaration).
- The bank's **annual debt and interest liability statements** for the fiscal year concerned.

In the absence of these elements, an estimated taxation will be carried out on the rental income (rental income and/or rental value with the lump-sum maintenance costs) with the maximum tax rates on the income and capital.

We remain at your disposal if necessary and invite you to use the email address (scc-hp-remises@admin.vs.ch) to contact us.