KPMG

Digital economy impact checklist

Update on indirect tax developments in Switzerland

October 2018

This indirect tax digital economy checklist provides you with an update on a recent country development; kindly review to see how your organization may be impacted. In case of any queries, please contact your local KPMG advisor.

This alert includes the following information:

- Summary of the change
- Obligations imposed on remote sellers
- Types of supplies affected
- Determining the status of the customer
- Possibilities to provide input to the government

Summary

Jurisdiction affected:	Switzerland.
Summary of the change:	The change of the law affects overseas sellers selling low value goods (i.e. import VAT value not exceeding 5 Swiss franc (CHF); value of the goods not exceeding CHF65 in case of standard VAT rate or CHF200 in case of reduced VAT rate) shipped to Switzerland. For administrative reasons, import VAT and customs duties are not levied upon the importation of goods if the amount of import VAT does not exceed CHF5. In order to level the playing field for local and foreign sellers, foreign sellers generating more than CHF100,000 per year with sales of low value goods will have to register for Swiss VAT as of 1 January 2019. Additionally, the place of supply will be shifted from abroad to Switzerland. In practical terms this means that the customers that up to 31 December 2018, ordered low value goods not subject to VAT will as from 1 January 2019 receive an invoice including 7.7 or 2.5 percent Swiss VAT, depending on the kind of purchase, from their overseas suppliers. Even where the overseas seller is already Swiss VAT registered in Switzerland, any sales which fall under the 'distant sales of low value goods' category are not subject to Swiss VAT if the turnover resulting from such supplies does not exceed CHF100,000. With the new rules coming into force on 1 January, any sales supplied by a Swiss VAT registered overseas sellers will only be subject to Swiss VAT once they exceed the annual threshold of CHF100,000.
Current status of the change:	Enacting of legislation.
When does the proposed change commence?	1 January 2019.

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Obligations imposed on remote sellers

Does a VAT registration potentially trigger consequences for corporate income tax purposes (e.g., does it deem a permanent establishment (PE))?	No.
Will remote sellers and/or platforms need to register?	Yes.
Is there a (simplified) registration procedure, and is it open to non-established entities?	No.
What is the registration threshold for foreign suppliers?	VAT registration is compulsory if the turnover generated with low value goods (i.e. value of import VAT not exceeding CHF 5; value of goods not exceeding CHF 65 for normal VAT rate and CHF 200 in case of reduced VAT rate) shipped to Switzerland exceeds CHF 100,000/year. Is it the same as local suppliers? Yes.
Who pays the VAT/GST — supplier/ platform/split payment/withholding/ reverse charge/other approach?	The supplier must invoice VAT to the client and deliver it to the Federal Tax Authorities (FTA) with the next VAT return.
Is the liability for accounting for the VAT/GST limited to just the supplier, or may other parties potentially be liable (e.g., joint liability)?	Limited to supplier. Please note that parliament is discussing measures that would result in a Joint and several liability (JSL) of a market place.
How often must VAT/GST returns be filed?	Quarterly (general rule with exemptions).
Are tax invoices required to be issued?	No. Only upon request of the recipient.

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Types of supplies affected

Goods, services or both?	Goods.
Is there a low value threshold (for goods)?	Yes. See above.
Are businesses required to advertise or state prices inclusive of VAT/GST?	Yes.
Are any of those supplies potentially subject to a reduced rate or zero rated or exempted?	Yes. VAT rate of 2.5 percent applies to: — food and additives according to the Food Law — cattle, poultry and fish, — grains — seeds, planting roots and bulbs, living plants, cuttings, scions and cut flowers and branches, including those used in arrangements bouquets, wreaths, etc. If invoiced separately, the supply of these goods is also subject to the reduced tax rate, even if it is made in combination with a supply taxable at the standard rate — animal feed, silage acids, scatterings for animals — fertilizers, pesticides, mulch and other vegetation used as covering material — medication — newspapers, magazines, books and other printed matter without advertising character — agricultural supplies that consist of land cultivation directly related to initial production or cultivation of initial production products connected with the land — electronic newspapers, magazines and books without advertising character.
Must VAT be mentioned separately on the invoice?	No. Tax invoice is only required if the recipient asks for it. If so, the VAT rate and corresponding VAT amount have to be shown on the invoice or if the amount payable includes the VAT amount the invoice has to show the applicable VAT rate.

Determining the status of the customer

What types of customers are classified as B2B?	For the change at hand, distinction between B2B and B2C is not relevant.
What requirements are there for determining if the customer is located in that country? What proof is needed?	Rule applies if goods are sold and shipped to an address in Switzerland.

Possibilities to provide input to the government

Is there a process in place to share comments/practical problems with the respective legislative body or government or other groups?	No, as the consultation period is over. However, in Switzerland it is always possible to approach the tax authorities with special cases.

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Who to contact

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