

# The Purchase of Real Estate in Switzerland

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The law on acquisition of real estate in Switzerland has numerous restrictions for foreigners, otherwise referred to as Lex Koller. This law clearly distinguishes between categories of real estate, residential and commercial, and categories of purchasers such as those interested to purchase a property in Switzerland as a holiday home, to relocate their main residence to Switzerland or even to establish their permanent business in Switzerland.

It is therefore fairly difficult for

non-Swiss residents to purchase property in Switzerland unless they are located within the designated 'Holiday Zones'. These zones are predominantly found in certain ski resorts as well as the immediate areas surrounding both Montreux and Lugano. With all these areas the maximum size allowed is 200 sq m of official living space, this does not include balconies or basement areas.

There is also a second law, Lex Webber, which limited the number of properties owned as secondary residences to 20% of the total housing stock. Unfortunately if the area of the property falls under the jurisdiction of a commune that has already exceeded this limit, it is

therefore impossible to sell unless the property is already owned as a secondary residence.

Of course there are occasional allowances such as if a buyer's children are to be educated in Switzerland or if they can purchase through a Swiss-based and managed company and can prove that such a purchase is part of its normal business. All of these are possible, but must be negotiated with the authorities on your behalf by a local lawyer.

All of the various reasons for the purchase of real estate have very different consequences, not only from a tax and legal point of view, but also regarding succession, financial structuring and asset allocation. In addition, the costs for the acquisition, the holding and the sale are different depending on each specific case.

In the top right hand corner are three examples for buying, owning and selling a property in Switzerland. In each canton and in some cantons in each commune, the costs are different. Furthermore, the taxes and costs can be different for residents and non-residents. Income and wealth taxes are progressive and different

in each commune and canton. The three following examples are indicative examples to understand the different systems.

For more information please consult our Guide to buying property in Switzerland, prepared for us by *Transforma Consulting*, which is a general introduction to this complicated legal system. In practice, each individual transaction must be analysed according to local laws and regulations and expert advice must be sought.

BUYER	OWNER	VENDOR
<b>PURCHASE IN GENEVA</b> <b>Transaction costs</b> <ul style="list-style-type: none"> <li>Notary fee: total 0.2145%</li> <li>Transaction tax: 3%</li> <li>Land registration fee: 0.25%</li> <li>Other costs: CHF 1,000</li> <li>Registration or overtaking of mortgage: 1% of mortgage amount</li> </ul>	<b>RESIDENT IN GENEVA</b> <b>Annual costs</b> (Based on a property valued at CHF 1.0m) <ul style="list-style-type: none"> <li>Deemed rental value of CHF 300,000 taxed with other income at a maximum tax rate of approximately 40%</li> <li>Tax value of CHF 10m taxed with other wealth at a maximum tax rate of approximately 1%</li> </ul>	<b>SALE IN GENEVA</b> <b>Transaction costs</b> (Based on a CHF 1.0m purchase) <ul style="list-style-type: none"> <li>Agency commission</li> <li>Capital gains tax: maximum of 50% (less than 2 years holding), 0% after 25 years of holding</li> </ul>
<b>PURCHASE IN ZUG</b> <b>Transaction costs</b> <ul style="list-style-type: none"> <li>Notary fee: maximum CHF 3,300 (usually 50/50 by parties)</li> <li>Transaction fee: maximum of CHF 6,000</li> <li>Registration or overtaking of mortgage: maximum of CHF 4,500</li> </ul>	<b>RESIDENT IN ZUG</b> <b>Annual costs</b> (Based on a property valued at CHF 4m) <ul style="list-style-type: none"> <li>Deemed rental value of CHF 144,000 (rental of CHF 12,000/month) taxed with other income at a maximum tax rate of approximately 21%</li> <li>Tax value of CHF 2.6m taxed with other wealth at a maximum tax rate of approximately 0.27%</li> </ul>	<b>SALE IN ZUG</b> <b>Transaction costs</b> (Based on a CHF 4m purchase) <ul style="list-style-type: none"> <li>Notary fee: maximum of CHF 3,300 (usually 50/50 by parties)</li> <li>Transaction tax: usually paid by the purchaser</li> <li>Capital gains tax: maximum of 60% (less than 1 year holding) and a minimum of 10% after 25 years of holding</li> </ul>
<b>PURCHASE IN TICINO</b> <b>Transaction costs</b> <ul style="list-style-type: none"> <li>Notary fee: 2% (usually 50/50 by parties)</li> <li>Transaction tax: 1.1%</li> <li>Registration or overtaking of mortgage: maximum of 2%</li> </ul>	<b>RESIDENT IN TICINO</b> <b>Annual costs</b> (Based on a property valued at CHF 3m) <ul style="list-style-type: none"> <li>Deemed rental value of CHF 84,000 (rental of CHF 7,000/month) taxed at a maximum tax rate of approximately 34%</li> <li>Tax value of CHF 2.25m taxed at a maximum tax rate of approximately 0.6%</li> </ul>	<b>SALE IN TICINO</b> <b>Transaction costs</b> (Based on a CHF 3m purchase) <ul style="list-style-type: none"> <li>Attorney fee: 2% (usually 50/50 by parties)</li> <li>Transaction tax: paid by purchaser</li> <li>Capital gains tax: maximum of 31% (up to 1 year holding), minimum of 5% after 20 years of holding</li> </ul>

