eCommerce Switzerland

Everything about taxes and customs for a successful start in Switzerland

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1.

What taxes apply to online retailers in Switzerland?

Value added tax (VAT)

If a **foreign online shop** wants to charge the **Swiss VAT directly** to his Swiss customers, he must be declared as a VAT-registered company in Switzerland. For this he needs a **fiscal representation in Switzerland**.

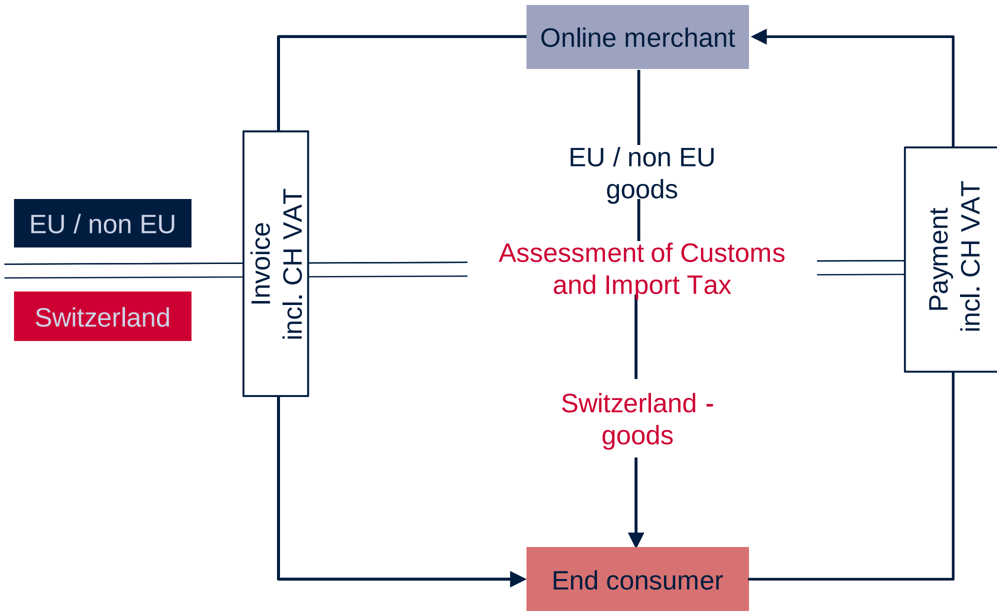
You make the **lifes of your customers in** Switzerland **easier** with a fiscal representation through **GJS Consulting.** You will appear as an **online shop registered in Switzerland** for VAT purposes. De facto like a **Swiss company** but whithout a permanent establishment in Switzerland. If the foreign online merchant has registered through a fiscal representation in Switzerland, the consequences for VAT are the following:

- The **delivery**, which leads to the import, **is regarded as domestic** (art. 3 para. 1 VAT Ordinance) and is therefore subject to the domestic tax for the supplier. Thus, the exemption from the tax liability pursuant to art. 10 para. 2b is no longer possible.

- The **foreign online merchant** - with the appropriate license – who delivers the item to the domestic territory, is **considered as the importer of the item** and must pay the import tax accordingly. Thereafter and at the moment with 7.7% VAT (standard rate) it is invoiced to the Swiss customers, same as if the foreign online retailer was a **Swiss company.**

Value added tax (VAT)

Procedure, VAT and customs registration for the delivery and payment for trades from abroad to Switzerland



Fiscal representation

- VAT processing
- Correspondance with tax authorities, customs administration and tax administration

Source: www.gjs-consulting.com

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Value added tax (VAT)

On January 1, 2019, Art. 7 (3) lit. b of the Federal Act on Value Added Tax (so-called mail-order business regulation) came into force

Anyone who has **a turnover of at least CHF 100‘000 from small consignments** in 2018, and if it is likely that such deliveries will be carried out in the twelve months from January 1, 2019, will be subject to **VAT taxation** from January 1, 2019. Small consignments exist if the tax amount is CHF 5 or less and therefore no import tax is levied.

If only from January 1st, 2019, items from abroad are delivered to the domestic country which are **exempt from import tax due to the small amount of tax**, the place of delivery shall be deemed to be abroad, until the end of the month in which the service provider (Mail-order business) has reached the sales limit of CHF 100‘000 from such deliveries. From the following month, the place of delivery for all (transport and shipping) **deliveries of the mail-order business from abroad to the domestic country** is considered to be domestic. He must register as consequence in the **VAT register**.

The federal tax administration makes available on its homepage a list of companies with online merchants registered in the VAT Register. This list makes it possible for companies entrusted with customs clearance to decide whether the import tax is to be borne by the recipient of a package or by the taxable online retailer. The list can be made available to the persons entrusted with the customs declaration as a XML file.

Value added tax (VAT)

As of November 15, 2018, **online merchants** who register for VAT purposes must **indicate when registering online that they act as an online retailer** and agree to be published on the list.

The inclusion on the list is in the interest of online retailers so that burdens and complaints from customers can be avoided.

The online merchants can **voluntarily subordinate themselves to the tax obligation** by registering for **foreign countries** before reaching the threshold for VAT tax liability **and register themselves in the VAT register of Switzerland.**

In this procedure, the taxable online merchant is considered to be the importer and may also charge the import tax as input tax, provided the conditions for doing so are met.

Delivery to the domestic buyer is subsequently considered as **domestic delivery** (analogous procedure to the mail-order business regulation).

By choosing the prior declaration of subordination abroad, the **transition to VAT tax liability based on the mail-order business regulation is easier to plan.**

Import tax

The **import** of goods from **a third country** (not CH or FL) into Switzerland is subject to **VAT taxation and customs clearance**. However, the **import tax** does not have to be calculated by the company itself and declared in thier VAT invoice, but is levied by the **Federal Customs Administration** together **with the customs duties**, if they arise.

The standard tax rate is currently 7.7%, same as on purchases in the domestic country. Certain daily necessities (e.g. food) are subject to the reduced rate, currently of 2.5%.

The **aim** of the import tax is the **taxation of domestic consumption**. Therefore, the **country of destination principle** applies. Due to the export from the country of origin, the items are exempted from the tax overthere. In return and on the basis of the importation, they are subject to the respective tax in the country of destination.

In contrast to customs duties, the **import tax is a pass-through item for companies** as it can be claimed under certain conditions as input tax.

Assessment base

- The import tax is calculated by the Federal Customs Administration (FCA) on the basis of the so-called monetary value or the market value. The ancillary costs up to the place of destination are included, if these are not already included in the monetary value or market value (packaging, insurance or transport costs, as well as costs for customs clearance, any customs duties or monetary values for permits, etc.) the legal provisions are stated in the in the Federal Act on VAT (VAT Law) article 54.

Import tax

Monetary value

If an item is imported as a result of a purchase, the import tax is based on the monetary value consideration. The monetary value is considered as everything that the recipient of the goods or the third party has alreday paid for or still needs to pay. The monetary value also includes the compensation for all costs, even if they are invoiced separately.

Market value

If no monetary value is payable for the importation of an item, the import tax shall be based on the market value. The market value is considered what a third party would have to pay if they would buy the item. For example, the tax is calculated on imports of free samples, gifts or free replacement supplies at market value.

Supporting documents

You must be able to prove the value details stated in the customs declaration, for example with a copy of the commercial invoice or the purchase receipt.

If there is any doubt as to the accuracy of the declaration or if information is missing, the FCA can estimate the taxable amount and fix it ex officio.

Import tax

Values in **foreign currencies**

Values in foreign currencies are converted into Swiss Francs at the exchange rate quoted the day before the declaration.

Deductibility of import tax as **input tax**

If a company imports goods for his company from a third country to Switzerland, he can as general rule deduct the resulting import tax as **input tax**. The application for input tax deduction is made via the current VAT invoice.

According to the current legal opinion, it is important that the company has the **power of disposal** of the **imported goods at the time the goods are released for free circulation**. On the **tax assessment order he is declared the importer of the goods**. Only then he is entitled to claim the import tax as input tax. Thus, persons are not entitled to deduct the import tax, which only contributes to the import, but have no power of disposal over the goods, such as warehouse keepers, carriers, forwarders or future clients.

Import tax

Prerequisite for the deduction of the import tax as input tax is only their emergence, which is proven by the decision of the tax assessment. The actual **payment is not relevant**. Thus, a fixed import tax, which for instance must be paid later due to a deferred payment, can sti**ll be asserted in the VAT settlement of the quarter of creation**. Ideally, the company can have the import tax reimbursed as input tax by the Swiss Federal Tax Administration (FTA) before the payment must be made to the FCA.

A **settlement of the import tax with the input tax claim** is unfortunately not possible in Switzerland, as different authorities are responsible.

Practice

It is recommended that you keep a **separate account in your operational accounting with an appropriate tax code** for the import tax incurred in your company from the import of goods.

The deductable input tax is thus transferred to the respective VAT invoice. The registration of the input tax for the input tax deduction must be made with the code number within the VAT invoice.

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2.

Swiss customs and the import to Switzerland

Important basic documents

For each **import**, at least one **commercial invoice** (possibly pro forma invoice) is required.
Commercial invoices must contain the following **minimum information**:

- Name and address of the exporter
- Name and address of the importer
- Delivery address (if different from the importer)
- Place and date of issue
- Marking, number, quantity and type of packages
- Net and gross weights, dimensions of the packages
- Exact description of goods, preferably with customs tariff number
- Quantities
- Price
- Delivery and payment terms
- Country of origin

Depending on the country, specific additional information may be required on the commercial invoice. Also, the required number of commercial bills and the language can vary.

Another basic document is the **shipping list respectively the delivery note.**

Depending on the country of destination and the type of goods, further documents such as **certificates of origin or evidences of origin**, **authorizations**, official confimations or certificates of analysis may be necessary.

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Customs tariff number

The **customs tariff number** is essential for the **import**.

This number is used to classify a product. Customs tariff numbers are based on **customs duties** and other tariffs as well as non-tariff barriers.

The Swiss customs tariff, like most tariffs worldwide, is based on the internationally valid Harmonized System (HS). The HS correspond to the first six digits of the eight-digit Swiss tariff numbers. The Swiss customs tariff numbers can be found on www.tares.ch.

Based on the **tariff number**, the **import duties in Switzerland can be determined.** Customs tariffs may differ depending on the country of origin or whether or not Switzerland has bilateral or free trade agreements under EFTA.

GJS Consulting can put you in touch with various customs service providers who know the details of customs tariffs and other import duties, import formalities and rules of origin in detail.

Customs handling

In the customs handling the logistics partner / forwarder is usually supporting you.

It is important to provide the logistics partner with correct and complete information.

The import declaration can also be done by yourself: either with an in-house software (e-dec import) or via the online application of the Federal Customs Administration. The self-declaration, however, requires some special knowledge.

The customs administration is also increasingly focusing on digitization and is currently converting many processes to digital applications. For example, nowadays the assessment orders in the import are only made available electronically.

Further details and references can be found under the following link:

Electronic assessment order (eVV) in export

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Free trade, origin and tariff preferences

Free trade agreements bring huge cost savings to the international economy, as they can **prevent or reduce the payment of import duties in the country of destination,** which can make products cheaper abroad or even create a competitive advantage.

And not only that, the agreements also include paragraphs on trade with services, intellectual property protection, investment, public procurement and much more (also known as second generation agreements).

Detailed information on free trade agreements can be found on the page of the Switzerland Global Enterprise (SGE). Free trade agreements, origin, rules of origin and proofs of origin.

A well-arranged list of Switzerland's free trade agreements can be found here.

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Delivery conditions (Incoterms)

Incoterms

When talking about terms of delivery, the term "Incoterms" often comes into play.

The Incoterms are issued by the International Chamber of Commerce in Paris and are revised every ten years. They regulate the rights and obligations between seller and buyer in international trade. The current version is the Incoterms 2010.

The minimum obligation for the seller is EXW (ex works) and FCA (free carrier) respectively, while the maximum obligation for the seller is DDP (delivered duty paid).

However, EXW is not really suitable for export business, since not even the export documents would have to be created by the exporter. Therefore, it is often not possible for the importer to create an export declaration and the required documents.

With DDP, you as exporter and importer take over all costs and also the complete risk up to the receiver including import customs clearance and payment of the import duties (also the import tax!).

You can find a summary of those clausels here.

3.

Fiscal representation for the eCommerce in Switzerland

Fiscal representation

To **register** at the Swiss Federal Tax Administration (FTA) as a **company** registered for VAT, the following steps are to be carried out by a **fiscal representative**:

Subordination declaration

The completed and duly signed formula number 1236 has to be submitted to the FTA. The declaration of subordination leads to the subjective tax liability. This means the foreign online retailer needs a fiscal representative in Switzerland.

Registration

For the foreign online retailer - if he wants to act as an importer - the tax liability in Switzerland is given. Accordingly, he/she must be registered with the Swiss Federal Tax Administration with a tax representative in Switzerland (for example GJS Consulting).

Enrollment

Based on the reported turnover, the amount of the guarantee amount is determined by the FTA. The guarantee amount is 3% of an estimated annual turnover. The minimum deposit is CHF 2,000. It can be deposited with the Swiss National Bank in cash or via a bank guarantee.

Processing

The VAT settlement is to be submitted quarterly. We are happy to explain the opportunities and the operational handling of a fiscal representation eCommerce Switzerland in a personal conversation.

Customs Software

Thanks to our **partnership** with **bcon**, GJS Consulting is able to offer international online retailers an **all-in-one solution** for importing into Switzerland.

The importation of goods from a third country into Switzerland is subject to taxation of import duties and customs duties.

This may vary from 7.7% to 2.5% depending on the type of goods being imported.

With the help of bcon's **customs software** it is possible to **manage and archieve the electronic documents** of the Swiss Federal Customs Administration efficiently.

The **VAT revision** will therefore not be an endeavor that will cost an unnecessarily amount of time, nerves and money.

Offering of GJS Consulting

- Supporting the development of the Swiss market as a **fiscal representative** with a clear focus on **eCommerce**
- Establishment of a **digital process** for all information relevant to Switzerland
- **Advice** on all **tax issues** (sales tax, import tax, input tax, etc.)
- Strong **network of partners** in Switzerland and Germany

4.

Contact

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References

References

A selection of online retailers, which Gerrit Schröder has successfully helped to build up their market in Switzerland!