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Indirect Tax Alert

Swiss Tax Authority clarifies that disclosure of worldwide turnover in Swiss VAT returns by non-Swiss entities is no longer required

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After months of uncertainty, the Swiss Federal Tax Administration has clarified its position regarding reporting requirements for foreign entities registered for Swiss value-added tax (VAT) purposes: foreign businesses are no longer required to declare their global turnover in their Swiss VAT returns.

As a result of this change of practice, non-Swiss entities no longer have to report non-Swiss revenues in their Swiss VAT return and can thus limit the reporting in box 200 of the return to turnover generated in the Swiss territory. Foreign-established taxable persons should however continue to report their VAT exempt without credit revenues, as well as subsidies, as this might have an impact on their Swiss input VAT recovery rate.

The long-anticipated news is linked to the revision of the Radio and Television Fee (RTV), which was initially intended to be levied on all VAT-registered persons in Switzerland. The fee is calculated based on global turnover and was initially intended to be assessed on both Swiss as well as foreign businesses. The scope of the RTV was however reviewed in August 2019, resulting in an exclusion of non-Swiss businesses.

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Implications

The withdrawal of this compliance requirement does not mean that all turnover generated from business activities outside of the Swiss territory can be excluded from the Swiss VAT return. For instance, taxable services rendered to Swiss-established recipients that fall under the default place of supply rule are to be declared with Swiss VAT by all suppliers that are registered for VAT in Switzerland.

It is also important to note that in the event of a VAT audit, foreign businesses have an obligation to provide evidence supporting that all supplies of goods and services with a place of supply in the Swiss Customs territory (Switzerland, Liechtenstein, Büsingen) have been appropriately reported in the VAT returns. This can be achieved by preparing internal year-end audit readiness reports, retracing differences between worldwide and Swiss turnover and documenting that no Swiss supplies have been booked under foreign accounting entries and vice versa. If the distinction between turnover generated in the Swiss territory and abroad is not appropriately documented, the Swiss authorities can determine that some of the foreign revenues should actually have been subject to Swiss VAT.

The outlined documentation exercise is part of the mandatory turnover reconciliation and is to be prepared by VAT-registered businesses at the end of the financial year. The turnover reconciliation is typically subjected to a thorough review by the authorities during the course of a VAT audit.

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