

Mandatory VAT Registration for Non-Established Businesses Extended

As of 1 January 2018 a non-established business making supplies of goods and supplies of services not solely subject to the place of recipient principle in Switzerland and Liechtenstein has to register for VAT, unless the non-established business can prove that its worldwide annual revenue from supplies is less than CHF 100,000. This revenue threshold was previously limited to the territory of Switzerland and Liechtenstein and is newly extended to worldwide scope.



The supply of a good is historically broadly defined and covers besides the delivery of a good, also construction work, installation work, the letting of a good or mere work on a good, whether the good is altered (e.g. by repairing or renovating) or not (e.g. by verifying and testing functionality, calibrating or cleaning).

The supplies of services, which are not subject to the place of recipient principle, may be the following (open ended list): services typically made to a physically present person like personal consultancy or treatment, services of travel agencies or organisation of events, services in the field of culture, art, sport, science, education or the

like, restaurant and catering services, passenger transport services, services in connection with real estate like agency activities, management, valuation, architecture, engineering, surveillance or accommodation.

The reverse charge mechanism for non-established businesses is generally not

applicable for supplies of goods and for supplies of services, which are not subject to the place of recipient principle. The extension of the scope to register for VAT is driven by distortions in the Swiss domestic market, where foreign businesses making such supplies in Switzerland benefited from an unjustified price advantage over Swiss businesses as the foreign-ones did not have to factor in Swiss VAT on their domestic supplies. The Swiss standard VAT rate is currently 7.7%. Non-established businesses, which have to register for VAT, must assign a fiscal representative and provide financial guarantee, usually a bank guarantee or a cash deposit, to the Federal Tax Administration in order to collateralize future tax debts.

Non-established businesses are advised to clarify their possible obligation to register for VAT in order to avoid retrospective tax charge at the standard rate over the 5-year statute of limitation period, interest charge of 4 % per year on unpaid taxes, fines and penalties. Due to the self-assessment nature of the value added tax, directors of a non-established business might be held jointly and severally liable for the tax amount in cases of unlawful non-registration or evasion.

Grant Thornton Switzerland/Liechtenstein is well-positioned to guide you through planning opportunities and advice on VAT registration and fiscal representation for non-established businesses.

Contact



Dr. Matthias Hofer

Director Tax

T +41 43 960 71 43

E matthias.hofer@ch.gt.com