



Information leaflet

for employees liable to tax at source in the canton of Zurich

Valid for due dates as from January 1, 2021

1. What does tax at source mean?

Tax deduction at source means that the employers or the insurance carriers (both called “employer” hereinafter for simplification) directly deduct the taxes owed from the salary or the wage-loss replacement benefit (e.g. unemployment benefits, injury payments or sick pay) and deliver them to the cantonal tax office.

2. Who is liable to tax at source?

Persons are liable to tax at source if they:

- are resident in the canton of Zurich and neither hold a C permit nor are married to a Swiss national or a person holding a C permit or
- are resident abroad and work for an employer with domicile in the canton of Zurich as cross-border commuters or with second residency in Switzerland (regardless of their citizenship)
- are resident abroad and work as an employee in international traffic for a company with domicile in the canton of Zurich (regardless of their citizenship).

3. Which benefits are subject to taxation at source?

The following benefits are subject to taxation at source: gross earnings from employment (salary incl. commissions, allowances, length-of-service awards, anniversary gifts, gratifications, bonus payments, termination pays, tips, payments in kind, royalties, non-cash benefits from equity incentive plans etc.), as well as wage-loss replacement benefits for temporarily restricted or interrupted employment (e.g. unemployment benefits, sick pay, disability benefits, injury payments and disability pensions paid by disability insurances or accident insurances).



4. What are the tax tariffs?

The following tax rates apply:

- Tariff A (with or without church tax) for single persons (unmarried, separated, divorced, widowed)
- Tariff B (with or without church tax) for married persons with single income
- Tariff C (with or without church tax) for spouses with dual income
- Tariff G for wage-loss replacement benefits, which are disbursed, respectively not disbursed pursuant to the insured salary stipulations by the insurance carrier.
- Tariff E (5%) for benefits paid in the simplified settlement procedure to combat illegal employment (as from 01.01.2008)
- Tariff H (with or without church tax) for single persons (unmarried, separated, divorced, widowed) who live in the same household with minors or children in their first vocational education and are mainly responsible for their maintenance
- Tariff L (4,5%) for German cross-border commuters who meet the requirements of tax rate A
- Tariff M (4,5%) for German cross-border commuters who meet the requirements of tax rate B
- Tariff N (4,5%) for German cross-border commuters who meet the requirements of tax rate C
- Tariff P (4,5%) for German cross-border commuters who meet the requirements of tax rate H
- Tariff Q (4,5%) for German cross-border commuters who meet the requirements of tax tariff G

Registered partnerships:

- Tax tariff B, C, M and N also apply for registered partnerships (Federal Act on the Registered Partnership between Same-Sex Couples of June 18, 2004, SR 211.231).

Calculation of tax tariff C:

- In case of tax tariff C, the employment income of the other spouse is taken into account as a lump sum for the determination of the tax rate.

Tax rate applying in case of several employments:

- If a person liable to tax at source receives salaries from several employments (incl. wage-loss replacement benefits paid by insurance carriers), each taxable entity must determine the applicable tax rate in line with the tax at source rate as follows:
 - based on the effective total income
 - or based on the effective percentage of total working time
 - or extrapolating to a 100 % employment
 - or by extrapolation of the other spouse's income defining the tax rate, maximally taken into account in tax tariff C (see calculation basis for tax rates).



5. How is tax at source calculated?

Tax at source is calculated by applying the applicable tax tariff to the gross monthly salary plus additional allowances (e.g. family allowances). In the canton of Zurich, the month constitutes the tax period. There is no year-end adjustment in the taxation at source procedure.

6. Who determines the applicable tax at source tariff?

When hiring new employees liable to tax at source or in case of potential changes, the employer must notify the cantonal tax office, tax at source department. Based on the reported data, the employer has to determine the tax tariff themselves.

If the employee does not provide reliable information on his/her personal financial situation, the employer shall apply the following tax tariffs:

- Tax tariff A0Y (Y = with church tax) for single employees and employees with undetermined civil status
- Tax tariff C0Y (Y = with church tax) for married employees

The tax tariffs are published together with the calculation basis and are obtainable at the cantonal tax office (<https://www.zh.ch/de/finanzdirektion/steueramt.html>).

7. Who is required to pay church tax?

In the taxation at source procedure, employees have to pay church tax according to their denomination, regardless of their domicile.

Church tax must be paid if the employee liable to tax at source is a member of the denomination of a national church in Zurich. This applies to the following denominations:

- Roman Catholic denomination (röm.-kath.)
- Christian Catholic denomination (christ.-kath.)
- Continental Reformed denomination (evang.-ref.)

The church tax liability is reflected in the tax tariff designations as follows:

- Y: liable to church tax
- N: not liable to church tax

8. How are child expenses accounted for?

When applying the tax tariff, the employer has to determine the child deduction taking into account the following:



- for minor children, whose parent is liable to tax at source and has physical or legal custody, or
- for children full of age in their first vocational education for whose maintenance the person liable to tax at source is mainly responsible

9. How are alimony payments taken into account for calculating taxes at source?

Owing to the obligation to pay spouse and/or child alimony, the employee liable to tax at source can apply for the adequate granting of "child deduction" at the cantonal tax office, tax at source department, provided that in the person is resident in Switzerland and if it is proven that:

- the alimony payment constitutes economic hardship (minimum subsistence level not allowed for).

Application deadline:

- Until March of the following year

Form:

- Form-free submission in writing (not by e-mail)

Consideration of the effectively paid alimony by filing an annual ordinary tax return:

- Until the end of march of the following year, the persons liable to tax at source who are not subject to retroactive ordinary tax assessment by law (see section 13.1. below) have the option of having the effective alimony payments taken into account by applying for a retroactive ordinary tax assessment (see section 13.2. below)

10. What principles must be observed in the taxation at source procedure?

Obligation to disclose:

- The persons liable to tax at source must disclose any information necessary to enable the correct tax at source calculation to the employer and the tax authorities. They have to tolerate the tax at source deduction on the salary payment, respectively the wage-loss replacement benefit
- In particular, they have to assist the employer completing the registration or modification form

Obligation to report:

- Occurrences must be reported to the employer immediately so they can submit the required modifications to the cantonal tax office. The following occurrences must be reported in particular:
 - Granting of the C permit
 - Granting of the C permit to the spouse



- Change of civil status (marriage, judicial or actual separation or divorce)
- Births of children
- Taking on an additional employment
- The spouse taking on an additional employment
- Payment of wage-loss replacement benefits (unemployment benefits, pensions, alimonies, etc.) to the spouse
- Change of residential address in Switzerland and abroad
- Change of denomination

11. Can the tax at source deduction be corrected retroactively?

11.1. Ordinary taxation at source procedure

Reasons (final) for a correction in the taxation at source procedure:

- Objection to the liability to pay tax at source
- Errors in the determination of the taxable income or the income defining the tax rate
- Errors in the applicable tax tariff

Deadlines, form and jurisdiction:

- At the latest by the end of March of the following year
- The request must be submitted electronically to the cantonal tax office, tax at source department including all required supporting documents

Reservation:

- In these cases, the cantonal tax office reserves the right to conduct a retroactive ordinary tax assessment, asking the person liable to tax at source to give his/her consent to the retroactive ordinary tax assessment within 30 days (otherwise the tax deduction at source remains final)

11.2. Tax audit in case of international double taxation

Reasons for a tax audit:

- Proof of international double taxation

Deadlines, form and jurisdiction:

- At the latest within 90 days after detection of double taxation (usually upon delivery of the foreign tax assessment notice)
- Submit in writing (not by e-mail)
- State or provide the request and the evidence (foreign tax assessment notice and a calendar with a detailed record of the days worked in Switzerland and abroad, signed by the employer and the person liable to tax at source)
- The request is to be submitted to the cantonal tax office, tax at source department



12. Can the tax authorities make retroactive corrections to the taxation at source?

If source taxes were underwithheld due to an error by the employer (false application of tariff and/or determination of wrong gross salary) the cantonal tax office has the right to re-assess the source tax retroactively 5 years after the respective tax year has passed. After 5 years the cantonal tax office reserves the right to collect the additional tax by initiating a post-tax procedure.

13. What does retroactive ordinary tax assessment mean?

13.1. Retroactive ordinary tax assessment required by law

If the person liable to tax at source is resident in the canton, he/she is subject to retroactive ordinary tax assessment required by law if the following conditions apply:

- Your gross annual income amounts to at least CHF 120'000:
 - If a partial year tax liability applies due to moving to Switzerland from abroad, the annualised gross income taxed at source is applicable. Irregular benefits are taken into account without annualisation.
 - If the person liable to tax at source is married, both spouses are assessed retroactively provided that one of the two spouses reaches the applicable income limit
 - Until the liability to pay tax at source ends, retroactive ordinary tax assessments are conducted throughout the following years, even if the income temporarily or permanently falls below the applicable income limit of CHF 120'000
 - The tax deducted at source is credited to the ordinary taxes free of interest
- You wish to claim back withholding tax on income from movable assets. Or your taxable income which is not subject to taxation at source (e.g. income from securities or real estate) amounts to at least CHF 3'000 or/and the taxable assets amount to at least CHF 80'000 (for individuals), respectively to CHF 160'000 (for jointly taxable persons):
 - Under these circumstances, persons liable to tax at source are obligated to ask the cantonal tax office, tax at source department, to send them the tax return forms for a retroactive ordinary tax assessment. They must do so by the end of March of the following year.
 - Until the liability to pay tax at source ends, retroactive ordinary tax assessments are conducted throughout the following years, even if the income temporarily or permanently falls below the applicable income limit mentioned above.
 - The tax deducted at source is credited to the ordinary taxes free of interest
 - The cantonal tax office may conduct such retroactive ordinary tax assessments by law.



13.2. Retroactive ordinary tax assessment upon request by a person liable to tax at source with domicile in Switzerland

Persons liable to tax at source resident in Switzerland, who are not assessed retroactively as required by law (see section 13.1.) can submit a request for retroactive ordinary tax assessment on a voluntary basis:

- This request can be submitted without stating specific reasons
- Such a request is particularly required
 - to obtain equal treatment with persons who are subject to the ordinary tax assessment, or
 - to apply for a refund of the tax on income from movable assets, provided that the conditions set forth in section 13.1 are not met, or
 - to retroactively claim tax reduction for deductible expenses which are only taken into account as a lump sum or not at all in the tax at source tariff. This may involve the following expenses in particular:
 - actual professional expenses
 - advanced professional training expenses
 - contributions to employer-sponsored and private pension plans (2. Säule / Säule 3a)
 - expenses for childcare by third parties
 - alimony and support payments
 - illness and disability related expenses
 - interest on debt
 - donations

Deadline:

- At the latest by the end of March of the following year
- In case of failure to meet the deadline, the request will not be considered

Form:

- The request must be submitted electronically to the cantonal tax office, tax at source department
- If the request is not submitted in due form, a period of 10 days will be granted for rectification. In case of failure to meet the extended deadline, the request will not be considered

Consequences:

- A request submitted in due form and time cannot be withdrawn
- If the requirements for a retroactive ordinary tax assessment upon request are met, retroactive ordinary tax assessments are conducted by law throughout the following years until the liability to pay tax at source ends. The tax deducted at source is credited to the ordinary taxes free of interest



13.3. Retroactive ordinary tax assessment upon request by a person liable to tax at source with residency abroad

Persons liable to tax at source resident abroad can submit a request for retroactive ordinary tax assessment. Such a request is particularly required to claim deductible expenses which are only taken into account as a lump sum or not at all in the tax tariff (see section 13.2.).

You must provide the evidence that:

- at least 90% of the worldwide family income is taxed in Switzerland (quasi-domicile), or
- the situation is comparable to that of a person resident in Switzerland, or
- there are deductions which, in line with the double taxation treaty, the country of employment has to bear

Deadline:

- At the latest by the end of March of the following year
- In case of failure to meet the deadline, the request will not be considered

Form:

- The request must be submitted electronically to the cantonal tax office, tax at source department
- A Swiss mailing address must be provided
- If the request is not submitted in due form, a period of 10 days will be granted for rectification. In case of failure to meet the extended deadline the request will not be considered

Consequences:

- A request submitted in due form and time cannot be withdrawn
- The tax deducted at source is credited to the ordinary taxes free of interest
- The request has to be resubmitted every year

14. Change from taxation at source to ordinary tax assessment

A person previously taxed at source and resident in Switzerland is assessed as per the ordinary tax assessment for the entire tax period if:

- that person is granted the C permit
- that person marries someone holding a C permit or a Swiss citizen

The tax previously deducted at source is no longer owed as of the month following the granting of the C permit or marriage. The tax deducted at source is credited to the ordinary taxes free of interest



15. Change from ordinary tax assessment to taxation at source

On the other hand, divorce and factual or legal separation from a Swiss national or a spouse holding the C permit results in the spouse, who was originally liable to tax at source, being taxed at source again as per the beginning of the following month. Until the liability to pay tax at source ends, a retroactive ordinary tax assessment is conducted. Any advance payments already made and taxes deducted at source will be credited.

If the spouse with Swiss citizenship or C permit dies, the surviving spouse, who is in principle liable to tax at source, becomes subject to taxation at source again. In the period of less than a year until the death date, the spouses are assessed jointly under the ordinary tax assessment. As of the day after the death date, the surviving spouse is assessed under retroactive ordinary tax assessment. Retroactive ordinary tax assessment is conducted until the liability to pay tax at source ends.

16. Where can I get further information and details?

Further information and details can be obtained from the cantonal tax office, tax at source department:

Kantonales Steueramt Zürich, Division Quellensteuer, Bändliweg 21, Postfach, 8090 Zürich

- Internet: <https://www.zh.ch/quellensteuer>
- E-Mail: tm.qst@ksta.zh.ch
- Phone +41 (0) 43 259 38 00