

## VAT rates from 1 January 2018: Information for all those subject to VAT

**The increase in VAT rates introduced in 2011 for the purposes of IV supplementary financing will expire at the end of 2017. However, it is not known whether VAT rates will be lowered, as the currently applicable VAT rates should be maintained to cover the AHV financing shortfall. A referendum is necessary for that, though. Consequently, it is worth being prepared for a possible VAT rate change.**

The VAT rates are enshrined directly in the Federal Constitution (Art. 130 and Art. 196 item 14 of the Cst), and any VAT rate change therefore has to be decided by the people and the cantons by means of a referendum. Since 2011, the following VAT rates have applied: 8% (normal rate), 3.8% (special rate for accommodation) and 2.5% (reduced rate). A share of VAT receipts is used for IV supplementary financing (normal rate: 0.4 percentage points; special rate for accommodation: 0.2 percentage points; reduced rate: 0.1 percentage points). This is to cease at the end of 2017. Accordingly, VAT rates would be lower from 1 January 2018 because of the discontinuation of the supplementary financing. The net tax rates would be adjusted as well if VAT rates were lowered.

However, in the referendum on 9 February 2014, the people and the cantons accepted that all three VAT rates would be raised by 0.1 percentage points on 1 January 2018 in favour of the financing for the expansion of the railway infrastructure (FERI).

Moreover, it is planned to raise the VAT rates within the framework of the 2020 retirement provision reform in order to cover the AHV financing shortfall. The raise should be carried out in such a way that the currently applicable VAT rates remain unchanged on 1 January 2018.

Whether or not this will be the case depends on the outcome of a referendum that will probably be held on 24 September 2017. If the VAT rates change on 1 January 2018, there will not be enough time left to adjust ERP and settlement systems. It is thus advisable for companies to be prepared in good time for any changes.

The above explanations are summarised in the table below. The still unknown repercussions of the 2020 retirement provision reform are shaded in grey:

	Normal rate	Special rate for accommodation services	Reduced rate
Current VAT rates	8.00%	3.80%	2.50%
- Expiring IV supplementary financing 31.12.2017	-0.40%	-0.20%	-0.10%
+ FERI VAT rate increase 1.1.2018-31.12.2030	0.10%	0.10%	0.10%
Status 1.1.2018 without 2020 retirement provision reform	7.70%	3.70%	2.50%
+ 2020 retirement provision reform 1.1.2018 (poss.)	0.30%	0.10%	0.00%
Status 1.1.2018 with 2020 retirement provision reform	8.00%	3.80%	2.50%

The Federal Tax Administration will notify those subject to VAT on its website as soon as new information is available on the development of VAT rates.