



## Payment Deferrals and Waiver of Late Payment Interests on Tax Bills and Social Security Contributions Economic Measures against the Coronavirus Pandemic

*As a direct consequence of the coronavirus pandemic, companies and self-employed individuals in Switzerland are experiencing liquidity shortages. In order to relieve the Swiss economy with regard to taxes and social security contributions, the Swiss Federal Council and several cantons have adopted important measures.*

### *Measures regarding Federal Taxes*

The direct federal tax (corporate income tax) for 2019 is due for payment on March 31, 2020. Any payment after this date is, in general, subject to a late payment interest of 3% p.a. Other taxes like the VAT are due for payment 60 days following the end of a calendar quarter, bearing a late payment interest of 4% p.a. Under the current circumstances, these payment obligations can lead to additional liquidity shortages for companies.

The Swiss Federal Council has therefore issued an ordinance on March 20, 2020, according to which

the late payment interest rates will be reduced to 0% for the direct federal tax, for VAT, customs duties, special consumption taxes and incentive taxes. The interest reduction is applicable for the period from March 1 to December 31, 2020 (for the direct federal tax) or for the period from March 21, 2020 to December 31, 2020 (for VAT and similar taxes), respectively.

In addition, according to an ordinance of the Swiss Federal Council of March 18, 2020, all debt enforcement actions are prohibited until effectively April 19, 2020. This ordinance is equally applicable to private monetary claims as to the government's tax claims.

The combination of these two ordinances allows companies for the time being to wait with the payment of federal tax bills despite their due date.

## Measures regarding Social Security Contributions

In principle, social security contributions have to be paid in regular instalments (monthly or quarterly, depending on the total salaries). According to an ordinance by the Swiss Federal Council of March 20, 2020, companies and self-employed individuals affected by the coronavirus pandemic may be granted a temporary, interest-free deferral of payment of these instalments. Furthermore, companies have the option to request an adjustment of the instalments if the total salaries will fall significantly due to the pandemic.

However, as opposed to the federal taxes, there is no general deferral of payments or reduction of interest rates. The cantonal compensation offices are responsible to review any individual request for a deferral (including a waiver of the late payment interest) or a reduction of the regular instalments.

## Measures regarding Cantonal Taxes

The Swiss Federal Council's ordinance of March 20, 2020 is not applicable to cantonal and communal taxes, which is why cantonal and communal tax bills may still have to be paid in time.

The general due date of the periodic cantonal and communal taxes (corporate income and capital tax) varies significantly and can be anywhere between September 30 of the calendar year in which the concerned tax period ends (e.g. canton of Zurich) and six months following the end of a tax period (e.g. canton of Vaud).

Also, the cantons apply a wide range of different late payment interest rates. To name just some cantons, the late payment interest rate is 3.5% p.a. in Vaud, 4% p.a. in Zug, 4.5% p.a. in Zurich and 6% p.a. in Lucerne. Furthermore, some cantons, in addition to late payment interest, apply a so-called negative compensatory interest. This interest is charged on the difference between all payments made until the general due date of the tax and the

finally assessed tax amount. For instance, such interest is charged at 0.25% p.a. in Zurich (from January 1, 2020 on; until December 31, 2019, the interest was 0.5%) and at 0.125% p.a. in Vaud. By contrast, Lucerne and Zug do apply a negative compensatory interest of 0%.

Several cantons have so far announced similar measures with regard to the periodic taxes (corporate income and capital tax) as the federal government.

- **Aargau:** The cantonal government will issue a special ordinance on April 15, 2020 regarding additional measures to support the economy. According to an announcement of the government on March 25, 2020, this ordinance shall empower the cantonal and communal authorities to defer or adjust the amount of taxes provisionally invoiced, if necessary. It shall also be possible to defer tax bills for taxes that have already been finally assessed and to waive the right to receive a late payment interest (currently 5.1% p.a.).
- **Basel-Stadt:** There is no general extension of payment deadlines. However, the authorities are required to treat requests for deferral generously and accommodatingly. Late payment interest of 3% p.a. will still be charged.
- **Bern:** According to an Emergency Ordinance of the canton of Berne of March 25, 2020, there is a standstill period until June 30, 2020 for tax claims of the canton against taxpayers. Until then, debt enforcement is excluded and no late payment interest will be charged. Also, advance instalments may be reduced to match the expected profit for the ongoing period and the filing deadline for the 2019 tax return has been extended to September 15, 2020.

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— **Geneva:** According to a decree issued by the cantonal government of Geneva on March 23, 2020, no late payment or negative compensatory interest is charged on any cantonal and communal tax bill between March 24 and December 31, 2020. Furthermore, an extension of the payment deadline may be requested online and the advance instalments for the ongoing period may be deferred or adjusted interest-free. Also, the filing deadline for the 2019 tax return has been extended to May 31, 2020.

— **Lucerne:** Payment deadlines for taxes will be extended. Details have not been communicated yet.

— **Schwyz:** An extension of the regular payment period or a payment in instalments may be requested for due cantonal and communal tax bills. The details have not been communicated yet.

— **Vaud:** All taxpayers have the possibility to request online an adjustment of the payment instalments in accordance with their expected profit for the ongoing period.

— **Zug:** The payment deadline for all taxes and the filing deadline for the 2019 tax return have been extended to June 30, 2020. Until then, the late payment interest on cantonal and communal taxes of 4.0% p.a. has been abolished. No new invoices will be issued until the end of April 2020. Furthermore, the Government Council has requested a temporary reduction of the tax rate for the tax periods 2021 to 2023.

— **Zurich:** Taxpayers may request an adjustment of provisional instalments for cantonal and communal taxes. If they cannot pay final tax bills that have become due, a request for an extension of the payment deadline or a

deferral is possible. The authorities are required to handle the respective requests in due time.

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