

Customer information
March 2022

Swiss VAT liability for non-profit organisations

Increase in turnover threshold to CHF 250'000 as per January 1, 2023

A parliamentary initiative from 2017 has just succeeded after long discussions in the Swiss parliament. With effect from 1 January 2023, the turnover threshold for the VAT liability of non-profit organisations (NPO's), sports clubs and cultural associations will be raised from currently CHF 150'000 to CHF 250'000. (www.admin.ch). A compromise has thus been found between maintaining the status quo and favouring the largest possible number of associations and NPO's with a turnover threshold of CHF 300'000 and more.

Background to the new regulation

In order to avoid market distortions by favouring these institutions over other service providers, the Federal Council originally preferred to maintain the status quo. Now it follows the initiative's objective of relieving these institutions, which are often managed by volunteers, of the VAT registration duties and the associated administrative burden. However, this is only the case if their relevant turnover is less than CHF 250'000 per calendar year. Relevant turnover includes, for example, advertising services in return for sponsorship contributions, hospitality services, sale of materials, but not the turnover that is VAT-exempt per se, as for example membership fees. According to an initial estimate, 180 associations and NPO's fall under this new regulation.

What to do?

Associations and institutions whose relevant turnover is less than CHF 250'000 p.a. are no longer VAT-liable starting as per 1 January 2023. However, **an application to the Federal Tax Administration is required for deletion from the Swiss VAT register. This application must be submitted within 60 days after the end of the calendar year 2022 to take effect on 1 January 2023!** This is because a non-deregistration is considered by law as a waiver of the exemption from tax liability, i.e. the association would remain (voluntarily) liable for VAT despite the new regulation.

Existing and planned reliefs for VAT-liable NPO's

Associations with an annual turnover exceeding the new threshold are still VAT-liable but have the possibility to apply for a simplified settlement according to net VAT rates, which considers an input VAT deduction on a lump-sum basis.

Turnover from events such as bazaars, raffles and flea markets, which are of an occasional nature and serve exclusively to financially support the respective association or NPO, also fall under the tax exemption according to Art. 21 Para. 2 No. 17 Swiss VAT Act as before. The same applies to membership fees. The majority of the turnover of a sports or cultural association thus remains VAT-exempt with the option to tax.

The partial revision of the Swiss VAT Act, which is expected to come into force on 1 January 2024, provides for a further extension of the VAT exemption for participation fees at cultural events. Thus, in the future, not only participation fees at sporting events could benefit from the tax exemption, but also those at music competitions, for example.

The VAT situation thus remains challenging, especially for cultural associations and sports clubs as well as NPO's with a mixture of taxable and VAT exempt activities.

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