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ADB Newsletter
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Reform of residential property taxation: What the referendum on imputed rental value means for you

On September 28, 2025, voters have decided to abolish the imputed rental value (Eigenmietwert), thereby changing the income tax system. The referendum proposal was difficult to understand. Only those who examined the issue in great detail realized that, in addition to abolishing the imputed rental value and creating a special cantonal tax on second homes, it also involved the abolition of tax deductions that have nothing to do with the imputed rental value. The reform of residential property taxation therefore raises new tax issues that will concern not only homeowners but also tenants.

1. The new regulation regarding maintenance and debt interest deduction

With the abolition of taxation on the imputed rental value for **owner-occupied** properties, deductions for property maintenance costs (e.g., replacement of the kitchen) will be eliminated. At the level of direct federal tax, the deduction for energy-saving investments (e.g., replacement of an oil heating system) will also be eliminated. It is up to the cantons to continue to grant the latter deduction.

For **investment properties**, the deduction for *energy-saving investments* and *demolition costs* will no longer apply for direct federal tax. Such investments will only be deductible if they are considered property maintenance. The cantons may optionally continue to allow these deductions.

The reform also leads to a significant restriction on **the deduction of debt interest** for all taxpayers. Interest on *private debts* (mortgages, loans, credits) is generally no longer deductible. In future, only owners of investment properties will be able to claim debt interest – and only in proportion to the value of these properties in relation to their total assets. In addition, a first-time buyer deduction for debt interest is planned, which will benefit people who purchase their first owner-occupied residential property in Switzerland for a period of ten years.

2. New tax on secondary residences

With the adoption of the referendum, cantons are authorized to levy a **special tax** on secondary residences that are predominantly used by their owners. The specific form this special tax will take is still open and is likely to vary from canton to canton. Two simple approaches would be to tax either the wealth tax value or the market rent.

The requirement for *predominant* owner-occupancy in the text of the constitution suggests that secondary residences that are partially rented out to third parties (e.g., Airbnb, WEF in Davos) could also be affected by the special tax. This raises the question of whether double taxation

can be avoided if, on the one hand, the full special tax is levied and, on the other hand, income tax is levied on the rental income.

3. Further aspects

With the YES vote on the reform of residential property taxation, boundary issues have not disappeared, they have merely shifted:

- It is still advisable to **document** property expenses in order to distinguish between energy-saving investments (which may be deductible at cantonal level) and value-adding expenses that are relevant for real estate capital gains tax.
- In the case of major renovations or high debt interest charges, it may be advisable to review the **form of ownership** of primary and secondary properties via a corporation.
- Granting **usufruct rights** to relatives or self-controlled corporations can open up tax advantages.
- The reform has implications for intercantonal and international **tax allocation**: for example, owner-occupied second homes abroad no longer have any influence on the income tax rate. However, this does not fundamentally change the fact that the owner-occupancy of properties held by corporations must continue to be compensated in line with market conditions.
- As things stand today, the reform will be implemented on January 1, **2028**, at the earliest.
- In view of the referendum, the **canton of Zurich** is considering abandoning the originally planned increase in imputed rental values from 2026. However, the planned increase in Zurich's wealth tax values remains unchanged.

It is therefore clear that the effects of the reform are manifold and, in some cases, still unclear. What does the outcome of the vote mean for you? Depending on the composition of your assets and how they are financed, you can expect significant and perhaps surprising changes. We would be happy to help you tailor the tax changes to your personal situation in the best possible way.

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