Dominik has your back: Task 1

Look, a text from Dominik. He mentions, that for Swiss tax purposes, the income as well as capital taxes are considered tax-deductible expenses. Accordingly, the total statutory tax rate (i.e. the total of each of the statutory income tax rates as per law multiplied with the respective tax multiplier) is only applicable on the income <u>after</u> tax.

In order to determine the effective income tax rate (i.e. the income tax rate applicable on the income <u>before</u> tax) an iterative calculation is required. That's good to know!

He told me, that an iterative calculation can be performed in Excel. Just make sure that the respective setting is enabled (in Excel: File > Options > Formulas > Calculation Options > Enable iterative calculation [tick the box]).

Alternatively, the statutory tax rate can be divided by 100 plus the statutory tax rate to determine the effective tax rate (e.g. if the statutory tax rate for direct federal taxes was 6% (which is not the case) the calculation would look like: $\frac{6\%}{106\%} \approx 5.66\%$).

Isn't that amazing?

Tax calculations

Dominik Bischof
To ● You

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Hi there,

Let me get you started regarding the calculations.

In order to calculate the total statutory income tax rate, you must first sum up the cantonal, communal and church tax multipliers, then multiply the result with the respective cantonal statutory tax rate and at last add the direct federal tax rate. The total statutory tax rate can be used to determine the applicable effective tax rate using an iterative calculation or the formula I texted you.

In order to calculate the total statutory capital tax rate, you must first sum up the cantonal, communal and church tax multipliers and then multiply the result with the respective cantonal tax rate. The tax deductibility of capital tax shall be ignored for this simplified calculation.

Thanks for your help.

Cheers,
Dominik