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Swiss Federal Department of Finance
Swiss Federal Tax Administration FTA

Swiss VAT on «digital services»

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Constellations

VAT treatment of «digital services»

- Electronically supplied services (ESS) to businesses (taxable persons; B2B).
- Electronically supplied services (ESS) to consumers (non-taxable persons).
- Other digitally rendered services that do not qualify as ESS.



Electronically supplied services (ESS)

Definition of «electronically supplied services» (ESS) for VAT purposes (FTA's practice publication MI13; similar to the EU definition)

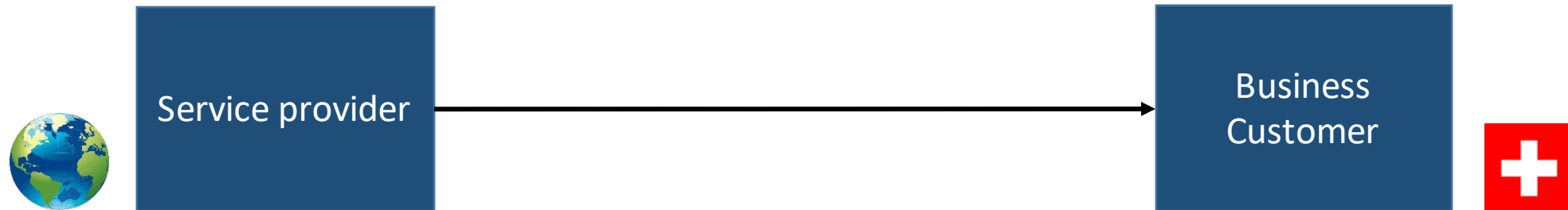
- Services which are delivered over the **Internet** or an electronic network, and
- the nature of which renders their supply essentially **automated** and involving **minimal human intervention**, and
- impossible to ensure in the **absence of information technology**.

Examples (article 10 VAT Ordinance):

- the provision and guarantee of data transfer capacity;
- the provision of websites, webhosting, and the tele-servicing of programs and equipment;
- the electronic provision of software and its updating;
- the electronic provision of images, texts and information and the provision of databases;
- the electronic provision of music, films and games, including gambling.



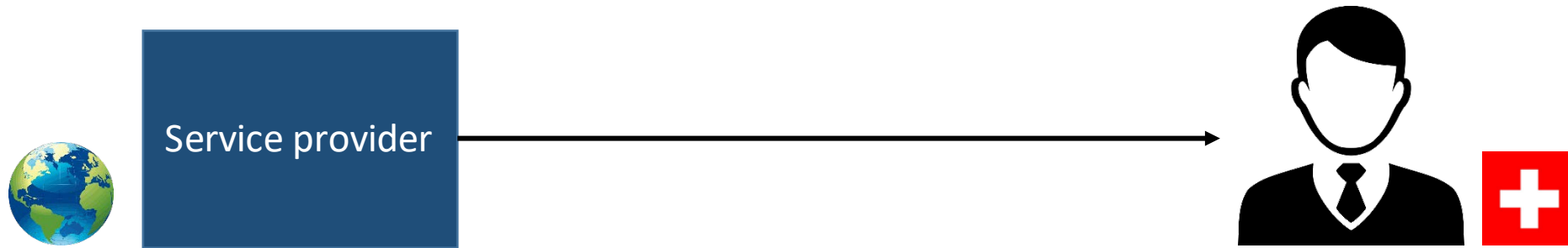
ESS – B2B



- Place of taxation is in Switzerland (= domicile of the recipient).
- Reverse charge (recipient has to declare the VAT); Service provider has not to register as VAT payer.
- No special collection issues.
- Netting with output VAT due by the business (VAT does only target the final consumption = goods and services used up by individuals [non-taxable persons]).
- Meets the OECD recommendations (International VAT/GST Guidelines).



ESS – B2C



- Service provider has to register as taxable person in Switzerland.
- 7.7 % VAT on ESS (exemptions possible).
- Tax collection abroad can be challenging (no jurisdiction [enforcement]; complicated notification; no tax collection mechanism)
- However, the experiences made so far are quite encouraging (see next slide).

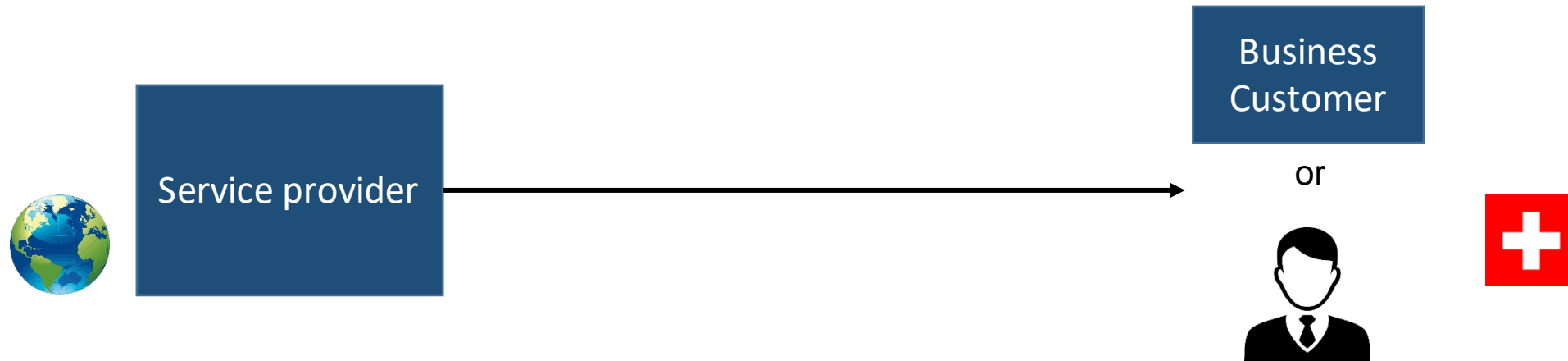


ESS – B2C

- Increased information activity by the tax administration is essential (information available in English; website; embassies, chambers of commerce etc.).
- Will to compliance discernible among foreign companies.
- OECD recommendations (International VAT/GST Guidelines), e.g. simplified VAT registration (input tax recovery – refunds, returns, payments, record keeping, invoicing availability of information, use of third-party service providers).
- International Treaties (e.g., EU-Swiss Anti-fraud Agreement; EU-Norwegian VAT Agreement) that allow tax collection/enforcement abroad.
- Similar solutions with respect to the taxation of goods provided by platforms.



Other digitally rendered services



- Other digitally rendered services (e.g., legal advice by e-mail).
- Place of taxation may be in Switzerland or abroad (no VAT on services rendered abroad).
- If the place of supply is deemed to be in Switzerland:
 - Service provider is not obliged to register as VAT payer.
 - Reverse charge mechanism:
 - B2B: Taxable (netting).
 - B2C: Tax free threshold of CHF 10'000.



Observations

VAT treatment of «digital services»

- Swiss solution is in line with the recommendations of the OECD (ideally the foreign service providers should also become liable for tax in B2C transactions).
- VAT collection abroad may be challenging. However, with appropriate strategies, the challenges can be overcome (slide 6).