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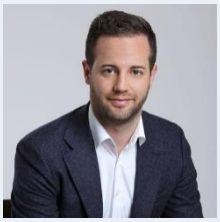
Inheritance and gift tax at federal level – the "Future Initiative" of the JUSO.

The "Future Initiative" aims to tax the assets of natural persons through an additional inheritance and gift tax at the federal level. With an exemption amount of CHF 50 million, the tax affects wealthy individuals. The planned tax rate was set at 50 %, without providing for exceptions to taxation. Due to the existing inheritance and gift taxes, this can lead to much higher effective tax burdens. Numerous unresolved issues and a planned retroactive effect are already causing great uncertainty well before a referendum in early 2026. This article uses examples to illustrate possible consequences and measures for action.



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1 Introduction

On 4 March 2024, the popular initiative "For a social climate policy – fairly financed through taxation (Initiative for a future)" was launched in Switzerland.[1] The popular initiative was submitted by the Young Socialists Party (JUSO).

The "Future Initiative" envisages taxing the assets of natural persons using an additional inheritance and gift tax at federal level (referred to as the "future tax" by the initiators). With an exemption amount of CHF 50 million, the initiative is aimed at taxing very wealthy individuals. According to the text of the initiative, the revenue from this future tax should be used to combat the climate crisis in a socially just manner and to restructure the economy as a whole.[2] According to initial estimates, around 2,000 taxpayers in Switzerland are likely to be affected by such a tax. The net assets taxed of these persons are likely to account for around 20% of the total net assets taxed in Switzerland.[3]

The design of the future tax is radical, as it aims for an unusual tax rate of 50% and does not provide for any exemptions. Transfers to (spouses) partners and direct descendants as well as donations to charitable institutions and aid organisations are also to be taxed at 50%. In particular, inherited or gifted family businesses are not exempt from the tax. The tax is to be levied in addition to the existing cantonal gift and inheritance taxes. This can lead to confiscatory, effective tax burdens of 70 % - 99.5 %.

The text of the initiative also provides for an as yet undefined exit tax of the same scope, which would apply retroactively from the date of the referendum if the initiative is accepted. This is intended to prevent tax avoidance.

The Federal Council spoke out against the initiative at its meeting on 15 May 2024. It recommends that the Federal Assembly rejects the initiative without a direct or indirect counterproposal. The Department of Finance was instructed to prepare a corresponding despatch for the attention of the Federal Assembly.[4] Based on current information, the referendum is likely to be held in the first half of 2026.

Acceptance of the initiative would have serious consequences for those affected. Taxpayers are therefore already intensively considering the possible consequences, while potential relocations from abroad are being prevented. For example, the UK will abolish the 225-year-old "non-dom" tax status in 2025. This allowed wealthy foreigners ("non-domiciled persons") to live in the UK without their foreign income and assets being taxed there.[5] Thousands of wealthy individuals are expected to leave the UK over the next 12 months. However, due to the legal uncertainty in Switzerland, it is rather unlikely that those affected will move to Switzerland.

In addition, the possible introduction of the future tax would lead to countless legal, economic and practical challenges.[6] In particular, the determination of the tax liability at federal level, the type and amount of taxation, the effects of moving away from Switzerland and the transitional provisions raise complex questions. This article attempts to shed light on selected aspects and illustrate them with examples. It also provides an overview of possible measures for affected persons.

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1 BBL 2024 509.

2 <https://juso.ch/de/medien/medienmitteilungen/die-initiative-fur-eine-zukunft-ist-fertig-gesammelt/>.

3 Schöchli, Popular initiative on inheritance tax: Should we lock up the rich in the country?, in: NZZ, 17.05.2024.

4 Federal Council press release, 15.05.2024, Federal Council rejects popular initiative "For a social climate policy - fairly financed from a tax perspective" (https://www.admin.ch/gov/en/start/documentation/media-centrelungen.msg-id-101029.html).

5 Severin, Juso initiative: Wealthy people fear consequences of the inheritance tax, in: NZZ, 27.06.2024.

6 Detailed information on the constitutional concerns: Andrea Opel, On the permissibility of taxes on the rich, StR 78/2023, 193 et seq., 210 et seq., and Andrea Opel/Stefan O- esterhelt, An exit tax for Switzerland?, StR 79/2024, 410 et seq., and further Andrea Opel, Inheritance and gift tax law in 2022 - a summary, successio 2023, 241 et seq., 251.

2 Review and next steps

Historically speaking, this initiative is not the first attempt to introduce a national inheritance and gift tax. The last time voters had to deal with an inheritance tax initiative was in 2015. The initiative for inheritance tax reform at the time envisaged a 20 % tax on estates and gifts at federal level, with a tax-free threshold of CHF 2 million. The income was intended for OASI funding. A retroactive effect was also planned for 2015. Gifts would have been offset against future gifts and estates with retroactive effect from 1 January 2012. Even back then, this led to a downright flood of property transfers from parents to their children.

The current initiative is different in that it has a significantly higher tax rate of 50 %, a higher tax-free threshold of CHF 50 million, and earmarks the revenue for climate protection. In addition, this initiative provides for implementing provisions for the introduction of an as yet undefined exit tax for natural persons after or from the adoption of the initiative, which is intended to lead to an equivalent tax burden.

	Initiative 2015	Initiative for a Future JUSO
Tax-exempt amount	CHF 2m	CHF 50m
Further exemptions	- Inheritances/gifts to spouses and to tax-exempt legal entities - Gifts of CHF 20,000 / year and person	None
Tax rate	20%	50%
Purpose	Financing old-age and survivor's insurance (OASI)	Financing climate protection
Distribution of revenues	- 2/3 Compensation fund OASI - 1/3 remains with the cantons	- 2/3 flows to federal government - 1/3 remains with the cantons

Figure 1: Comparison of inheritance tax initiatives

Once the Federal Assembly has examined the validity of the initiative, it is expected to be voted on in a referendum in the first half of 2026.[7] In the event of acceptance, the transitional provisions pursuant to Article 197 (15) E-BV (Draft Federal Constitution) will apply retroactively and the implementing provisions will have to be issued for the specific implementation of the initiative (see also the explanations in Section 3.2 below).

3 Future initiative

3.1 The future tax – Article 129a E-BV

Article 129a E-BV – Future tax

[1] The Confederation levies a tax on the estates and gifts of natural persons in order to build and maintain a future worth living.

[2] The Confederation and the cantons use the gross proceeds of the tax to combat the climate crisis in a socially just manner and for the necessary restructuring of the economy as a whole.

[3] The tax is assessed and collected by the cantons. Two-thirds of the gross tax revenue goes to the Confederation and one-third to the cantons. The cantons' authority to levy inheritance and gift tax remains unaffected.

[4] The tax rate is 50 per cent. A one-off tax-free threshold of CHF 50 million on the sum of the estate and all gifts is not taxed. Taxation takes place as soon as the tax-free threshold is exceeded.

[5] The Federal Council will periodically adjust the tax-free threshold in line with inflation.

The Future Initiative provides for the creation of a federal inheritance and gift tax. The tax is to be enshrined in the Federal Constitution as a "future tax", probably in Article 129a BV. The future tax is intended to tax estates and gifts from natural persons at a rate of 50 %. As mentioned at the beginning, according to the text of the initiative, the tax revenue should be earmarked "to combat the climate crisis in a socially just manner and for the necessary restructuring of the economy as a whole". Specifically, according to the initiators, the tax revenue should be used in the areas of employment, housing and public services such as the design of public spaces.[8]

If adopted, the initiative would represent a significant change in the Swiss tax system and aims to create an additional financing option for climate protection measures. In its statement, the Federal

[7] SCHÖCHLI, Juso popular initiative in favour of an inheritance tax makes the rich sweat, in: NZZ, 31.05.2024.

[8] <https://zukunft-initiative.ch/>.

Council expressed particular concerns regarding the effectiveness and feasibility of the initiative. On the one hand, the future tax would be owed regardless of the taxpayer's behaviour.[9] On the other hand, there would be considerable challenges in organising the prevention of tax evasion, particularly with regard to the departure of taxpayers and the transfer of movable assets out of Switzerland.[10]

3.1.1 Tax link and record-keeping obligation

In accordance with Article 129a (1) E-BV, the Confederation levies an inheritance and gift tax on the estates and gifts of natural persons. The proposed constitutional text does not specify the taxable basis of the tax and who is the subject of the tax. It can be assumed that, analogous to existing cantonal inheritance and gift taxes, the (last) place of residence of the testator or donor would be the primary criterion. In principle, the following points of contact are conceivable:

- (last) residence in Switzerland;
- the opening of the succession in Switzerland if the deceased's last place of residence was abroad but the entire estate is subject to Swiss law;
- immovable assets located in Switzerland, such as real estate or rights thereto;
- movable assets, insofar as they are taxable business assets in Switzerland.

In addition to the possible connecting factors under current law, the following would also be conceivable due to the vague text of the initiative:

- General link to assets located in Switzerland;
- Heirs/beneficiaries resident in Switzerland.

Whether and to what extent a Swiss inheritance or gift tax right would be reduced on the basis of a double taxation agreement in the case of residence abroad would have to be clarified on a case-by-case basis.[11]

If there is a tax liability in Switzerland, a one-off tax-free threshold of CHF 50 million can be claimed. The future tax is therefore aimed at the wealthiest taxpayers in Switzerland. To ensure that the tax-free threshold can only be claimed once, the text of the initiative explicitly states that there is an obligation to record the gifts. It can be assumed that no time restriction on the recording obligation was deliberately provided for. If the initiative is accepted, taxpayers will be required to document all gifts, including donations to charitable institutions, on an ongoing or retroactive basis. In the case of a gift or inheritance of assets held abroad, the question arises as to whether the right of taxation is reduced by any double taxation agreement. It should be added that, based on the text of the initiative, at least gifts made prior to the adoption of the initiative are not counted towards the planned tax-free threshold. This means that the tax-free threshold of CHF 50 million will be available in full once the initiative has been accepted.

3.1.2 Missing exceptions and resulting challenges

The text of the initiative does not provide for any exceptions. On the contrary: The initiators explicitly state that it should not matter who receives the inheritance or gift.[12] This represents a fundamental change to the structure of previous Swiss inheritance and gift tax law. This point is also one of the main criticisms of the initiative. The consequences of taxing inheritances and gifts without exception are illustrated by the following life circumstances:

1. Transfer of assets to direct descendants and to a (spouse) partner

In most cantons, estates and gifts to direct descendants are exempt from the existing inheritance and gift tax. At least in most cantons this would not result in multiple taxation, but the

9 Federal Council press release, 15.05.2024, fn. 4.
10 Opel/Oesterhelt, (fn. 6), 419 and 423.
11 See Opel/Oesterhelt, (footnote 6), 419 and 424.
12 <https://zukunft-initiative.ch/#initiativtext>.

future tax of 50 % would now apply to these transfers. This is also one of the main objectives of the Future Initiative, namely to prevent the tax-free transfer of parental assets to children through a newly created federal inheritance and gift tax (see also Section 2 below).

The transfer of assets to a spouse or partner by way of inheritance or gift is also generally tax-free in all cantons today. The new future tax would also severely restrict the free transfer of assets between (married) partners.

The structure of the future tax therefore triggers taxation not only when assets are transferred to the next generation, but also within a person's own generation, i.e. between spouses or registered partners. Due to the taxation without exception and the one-off tax-free threshold available, a tax incentive is created to no longer hold assets jointly, which is likely to run counter to the prevailing family model. In addition, the one-off nature of the tax-free threshold makes it difficult or even impossible to make donations to charitable institutions and similar organisations during your lifetime, as this would reduce the existing tax-free threshold (see also Section 3 below).

2. *Transfer of the directly and indirectly held operating company*

The lack of exemptions in combination with the tax rate of 50 % for entrepreneurship in Switzerland is extremely problematic. The majority of entrepreneurial families' assets are not in liquid form, but consist of investments in operating companies. If the assets are transferred to the next generation or a spouse or partner, the envisaged future tax will consequently lead to a tax liability that cannot be settled with available liquid assets. Many taxpayers with assets tied up in companies will be forced to sell substantial parts of their company in order to be able to pay the future tax. The structure of the tax also does not incentivise Swiss residents to acquire shares in companies. A person liable for tax in Switzerland will not transfer liquid assets into illiquid assets in the knowledge of the tax liability resulting from the future tax. For this reason, Swiss residents will be forced to reduce their investments in illiquid assets. This leads to a probably undesirable tendency for foreign investors to acquire stakes in Swiss companies. This is illustrated by two examples:

Example 1

After the future tax comes into force, the parents resident in Switzerland transfer their directly held shares in the family business to their two adult children as part of their succession planning. The family business is worth CHF 150 million.[13] To simplify matters, the parents have no other assets. They have not made any gifts in the past that would count towards the tax-free threshold of CHF 50 million.

The transfer results in a tax burden of CHF 50 million (i.e. investment value of CHF 150 million - tax-free threshold of 50 million, taxed at 50 %). The tax burden will inevitably have to be financed through the sale of the shares in the family business totalling around 33%. The uncertainty of finding a buyer for the exact stake required is not taken into account here. Furthermore, additional cantonal and communal taxes are incurred in cantons without exemption for corresponding transfers of assets to descendants (AI, NE, VD and certain municipalities in LU), which are not taken into account here.

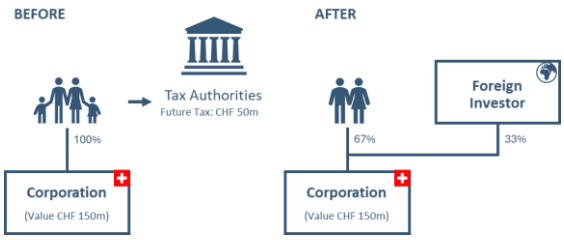


Figure 2: Transfer of directly held family business

[13] The text of the initiative also leaves open how the taxable value (assessment basis) is to be determined.

As a result, it will not be possible for families living in Switzerland to maintain their own family business over generations.

If the equity stakes are not in the direct private assets of taxpayers, but are held, for example, through a family holding company, far more than 50 % of the company must be sold. The reason for this is that the repatriation of the capital gain from the sale of the shareholding is subject to income tax under the current tax system.

Example 2

A family holds 100% of the shares in a company through a family holding company. The enterprise value amounts to CHF 200 million. For the sake of simplicity, it is assumed that there are no other assets in the family holding company. The parents die after the future tax comes into force due to an unforeseen accident. The future tax amounts to CHF 75 million (i.e. investment value CHF 200 million – tax-free threshold of CHF 50 million, taxed at 50 %). Assuming that the future tax will be owed by the children, the family holding company will be forced to sell shares in the company. It is assumed that the dividend is subject to income tax of 25 % (depending on the taxpayer's place of residence). As a total dividend of CHF 100 million (i.e. CHF 75 million future tax + CHF 25 million income tax) is therefore required to repay the tax burden, the family holding company must effectively sell 50 % of the shares in the company.

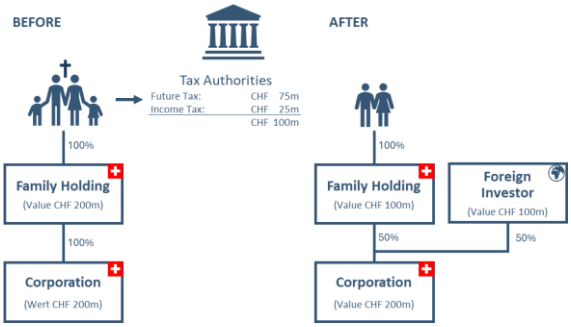


Figure 3: Transfer of indirectly held family business

The problems related to the time required to sell the company shares, the annual or interim financial statements required to make a dividend distribution and the payment of the 35 % withholding tax on dividends are not addressed. Furthermore, as in the previous example, additional cantonal inheritance taxes may be incurred.

3. Contributions to charitable institutions and similar organisations

We can also speak of a fundamental change in donations to charitable institutions and similar organisations. Switzerland has been promoting involvement in the non-profit sector for generations through tax incentives and support in the form of projects and programmes. The culture of giving and helping is deeply rooted in Swiss society and is reflected in the diversity and scope of the activities of charitable organisations. One expression of this culture is the granting of tax incentives for the fulfilment of charitable purposes abroad.

The proposed future tax creates a major obstacle for wealthy individuals to make donations to charitable organisations such as the Swiss Red Cross, Caritas, Pro Infirmis, WWF Switzerland, Greenpeace or research institutions in Switzerland such as ETH Zurich or EPFL (Lausanne) or to finance professorships. If a person bequeaths their assets to such an institution, the state collects up to 50 % of the donations made. As a result, people living in Switzerland will only be able to decide how half of their donation to the general public is used, while the other half will effectively be determined by the state or politicians.

4. Death

The expropriation character of the future tax becomes apparent in combination with the existing cantonal inheritance and gift taxes:

Example

A person resident in the canton of Basel-Stadt has no heirs entitled to a compulsory portion and dies after the future tax comes into force. According to the will, a distant relative inherits the total assets of CHF 200 million. It can be proven that no donations were made in the past that would count towards the tax-free threshold of CHF 50 million.

This results in a tax burden of CHF 152 million on the inheritance. On the one hand, this consists of the future tax liability at federal level (i.e. total

assets of CHF 200 million – tax-free threshold of CHF 50 million, taxed at 50 % = CHF 75 million). On the other hand, there is a cantonal inheritance tax liability of CHF 77 million (i.e. total assets of CHF 200 million, taxed at 38.5%). This corresponds to an effective tax burden of around 76 %.

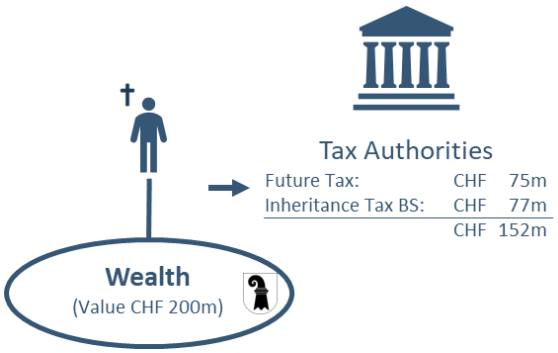


Figure 4:

If the deceased had left the inheritance to his non-related neighbour in his will instead of a relative, the total tax burden would even be 99.5 % due to the lack of a family relationship.

3.2 Tax avoidance and exit tax

A central element of the initiative consists of the transitional provisions provided for in Article 197 (15) E-BV. The Confederation and the cantons must then issue implementing provisions regarding the prevention of tax avoidance, in particular with regard to emigration from Switzerland. In other words, an exit tax is to be introduced in Switzerland that has not previously existed for natural persons.

Article 197 (15) E-BV

Transitional provisions for Article 129a E-BV (future tax)

[1] The Confederation and the cantons shall issue implementing provisions on:

1. the prevention of tax avoidance, in particular with regard to moving out of Switzerland, the obligation to record gifts and seamless taxation;

2. the use of gross profit to support the socially just, ecological restructuring of the economy as a whole, particularly in the areas of labour, housing and public services.

[2] Until the entry into force of the statutory implementing provisions, the Federal Council shall issue the implementing provisions by ordinance within three years of the adoption of Article 129a by the people and the cantons. The implementing provisions shall apply retroactively to estates and gifts made after the adoption of Article 129a.

If the initiative is accepted, taxpayers should be free to decide whether or not they wish to remain in Switzerland until the future tax comes into force.

The initiators want to deliberately force taxpayers to make this decision before the day of the vote through Article 197 (15) (2) E-BV. This stipulates that the Federal Council must issue the implementing provisions by ordinance within three years of the initiative being adopted, provided that these have not yet been regulated by law. The implementing provisions are to apply retroactively to all estates and gifts from the date of the vote. In this context, the exact constitutional wording of Article 197 (15) (2) of E-BV should be noted (emphasis added by authors):

"[...] The implementing provisions shall apply retroactively **to estates and gifts** made after the adoption of Article 129a."

The implementing provisions should therefore explicitly apply retroactively to estates and gifts. In turn, this implies that the implementing provisions should not apply retroactively to departures from Switzerland. Otherwise, the constitutional wording should have read as follows:

"[...] The implementing provisions shall apply retroactively."

A departure cannot be equated with either an inheritance or a gift. Therefore, based on the text of the initiative, a departure from Switzerland should not trigger the future tax until the implementing provisions are issued. The initiative text is unlikely to provide a sufficient basis for an actual exit tax (i.e. the mere transfer of residence abroad triggers

the future tax).[14] If gifts and estates are effected after a departure and prior to the enactment of the implementing provisions, provided that any applicable double taxation agreement does not restrict Switzerland's right of taxation, needs to be analysed on a case by case basis.

According to the view expressed here, the taxpayers concerned should therefore be able to wait for the vote and, if the initiative is accepted, decide for themselves whether to stay or leave the country until the implementing provisions come into force. Irrespective of this, the question arises as to whether it would not be possible to secure a tax potentially owed at a later date. However, due to the uncertainties outlined above up to and in connection with the introduction of the implementing provisions by the Federal Council, it is imperative that taxpayers consider the various options in more detail now. Nevertheless, it is to be hoped that if the initiative is accepted, the Federal Council and the legislator will implement the initiative in accordance with the existing constitutional guarantees and principles as far as possible and exercise restraint in the design of retroactive and subsequent taxation after departure. For example, Opel/Oesterhelt are calling for a restriction to a maximum of five years, based on the statutory and non-statutory blocking periods customary in Swiss tax law.[15]

Various practical questions also arise in this context:

- In principle, Switzerland does not offer a hand in the enforcement of foreign tax claims in Switzerland. This also applies in the reverse case for the enforcement of Swiss tax claims by authorities abroad.[16] Accordingly, Switzerland would no longer have any access in the event of departure or transfer of assets abroad and would no longer be able to enforce a tax claim.
- In connection with a seizure, the question of the relevant point in time arises with regard to the assessment of tax. The taxable asset value of a future gift or death cannot be clearly determined at the time of departure. Depending on the assets, these may be subject to strong fluctuations in value.
- A seizure is also subject to the problem that, due to the tax rate of 50 %, there are generally insufficient liquid funds available. However, depositing other assets such as securities, works of art or even real estate as collateral is hardly practicable.

To make matters worse, Switzerland has concluded inheritance and estate tax agreements with eight countries. The existing agreements have been concluded with Denmark, Germany, Finland, the UK, the Netherlands, Austria, Sweden and the USA.

These agreements are intended to prevent the deceased's estate from being taxed twice. To this end, the clear allocation of the right of taxation is regulated in order to ensure legal certainty for the heirs concerned. As a rule, the right to tax movable assets belongs to the state in which the deceased last resided (known as the residence principle). For example, if the deceased moves to Germany before his or her death, Germany has the exclusive right to tax the (movable) estate. In principle, Switzerland's right of taxation is completely curtailed by the corresponding inheritance tax agreement.[17]

4 Options for action for affected persons

The possible introduction of the future tax at federal level already poses a considerable challenge for the affected natural persons in Switzerland. With a tax rate of 50 % and a tax-free threshold of CHF 50 million, the future tax would fundamentally change estate and gift planning in Switzerland. The following section describes some options for taxpayers from today's perspective.

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14 Opel/Oesterhelt, (fn. 6), 421, also seem to have doubts in this regard, albeit not concrete ones.

15 See Opel/Oesterhelt, (footnote 6), 418.

16 See Opel/Oesterhelt, (fn. 6), 418.

17 For an overview of the taxation rights under the double taxation treaties,see Opel/Oesterhelt, (fn. 6), 419.

4.1 Acceptance of the tax liability

One option is to accept the future tax upon adoption. This is (superficially) the simplest, but also the most financially burdensome option. Those affected should adjust their estate planning accordingly and provide sufficient liquid funds to cover the 50 % tax burden in the event of inheritance or gifts. This requires detailed planning and possibly the early liquefaction of assets.

4.2 Early succession planning

Early succession planning allows assets to be distributed to the next generation before the initiative is adopted. For a family with four children, this approach means that assets totalling CHF 250 million can already be transferred to each of the four children in the amount of CHF 50 million. CHF 50 million remains with the parents. In future, each family member will be able to benefit from an individual tax-free threshold of CHF 50 million. However, future positive asset developments would be affected by the future tax.

Gifts and estates effected before the new regulation comes into force can shift the burden to future generations. However, the existing cantonal inheritance and gift taxes must be taken into account. The next generation (the children) will be severely restricted in their own succession planning by the future tax, as only a one-off tax-free threshold of CHF 50 million per family can be claimed once it is introduced.

If the existing assets exceed the number of family members before the future tax comes into force, the future additional tax burden must also be accepted with this variant.

4.3 Asset structuring

A strategic restructuring of assets can help to minimise the tax burden. The assets are to be transferred to an independent asset structure before the vote, in which the assets are no longer attributed to the taxpayer's sphere of influence for tax purposes and therefore no longer to the estate.

The independence of the assets can be achieved, for example, by setting up a trust or a foundation. Swiss taxpayers already regularly and successfully use trusts, but in particular also foundations, e.g. in Liechtenstein, as a targeted estate or succession planning instrument.

In contrast to Swiss foundation law, Liechtenstein foundation law is very flexible and geared towards individual needs in the private-benefit sector. However, the transfer of assets to a private-benefit foundation during your lifetime is subject to cantonal gift tax in various cantons. The cantons of Lucerne, Obwalden and Schwyz are the exception. In the canton of Lucerne, it should be noted that inheritance tax is levied on the gift if the donor dies within five years of making the gift. In addition, future distributions by the foundation, e.g. to children and their descendants, are generally subject to income tax if they are subject to ordinary taxation in Switzerland.

Depending on the existing circumstances and the individual needs of the taxpayers, asset structuring using a foundation or trust before the initiative is adopted can be an effective way of organising assets for the future.

4.4 Departure

Another option is a temporary or long-term move away from Switzerland.

As explained above, the authors are of the opinion that a departure should not be covered by the future tax until the implementing provisions are introduced.

Should the Federal Department of Finance, the Federal Council or the Federal Assembly take a different view in the course of preparing the dispatch, a temporary move would have to be considered before the initiative is adopted.

In view of the transitional provisions, which, according to the text of the initiative, do not provide for retroactive taxation of departures prior to the adoption of the initiative, a change of residence abroad would make it possible to completely avoid the future tax. In this case, a departure would have to take place before the vote. From a tax perspective, the domicile would effectively have to be transferred abroad and the domicile in Switzerland given up unconditionally. If the initiative is not

accepted, immigration to Switzerland would once again be possible under the current legal residence conditions. If the initiative is adopted, the future tax would no longer apply, as there would no longer be any tax liability in Switzerland. In this case, the move would be long-term and final. A move away would also be conceivable after the initiative has been adopted or the implementing provisions have come into force. However, the effects of such an amendment depend to a large extent on the design of the implementing provisions.

Various aspects must be taken into account when selecting the target jurisdiction. On the one hand, whether an inheritance and estate tax agreement exists with Switzerland. This would be the case with Austria, for example. Austria is all the more interesting because inheritance and gift taxes have not been levied since 2008. Based on the latest information, therefore, no future tax is likely to be incurred if you move to Austria after the initiative has been adopted and becomes effective. The tax burdens that will arise for taxpayers in the future as a result of the tax system applicable in Austria must be examined individually.

If lump-sum taxation is an option, Italy, for example, would be an option as the target jurisdiction. In 2017, Italy introduced an attractive tax regime for wealthy foreigners and returning Italians. With an annual lump sum of only EUR 100,000, there has been great interest in this tax regime for years.

5 Conclusion

The initiative aims to introduce an additional inheritance and gift tax at federal level in order to tax very wealthy individuals and use the revenue to combat the climate crisis and for the necessary restructuring of the economy as a whole. With a tax-free threshold of CHF 50 million and a tax rate of 50 %, the tax affects the country's wealthiest taxpayers.

The Federal Council rejects the initiative and emphasises the considerable legal, economic and practical challenges that would be associated with the introduction of the future tax. In particular, the high tax rate, the lack of exemptions and the introduction of a de facto exit tax to prevent tax avoidance are criticised. In addition, estates and gifts to spouses or partners as well as to charitable institutions and organisations are also subject to taxation.

The initiative is expected to be put to the vote in the first half of 2026. The future tax requires early and thorough planning from the taxpayers concerned in order to minimise the considerable financial impact. It remains to be seen how political developments will unfold and whether the initiative will ultimately be adopted. However, taxpayers should already take measures today to be prepared for all eventualities.