

Tax liability for associations

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As a “legal entity”, associations are generally liable for tax. In most cantons and also when it comes to federal tax, lower tax rates apply than for other forms of legal entities (e.g. limited liability companies, public limited companies, etc.).

Both profit tax and tax on capital (assets) are levied at cantonal level, while the federal government only taxes profits. However, associations are not taxed by the federal government and in most cantons if profits or capital are “insignificant” – and “insignificant” means something different in every canton. Normally, the entire profit or capital must be taxed if these exemption limits are exceeded.

Associations with a charitable or public purpose may be exempt from tax liability. An application must be submitted to the cantonal tax authorities for this purpose. See work aid on tax exemption for vitamin B.

Profit tax

The federal government has an exemption limit of CHF 5,000 for the taxation of profits. For associations with a non-material purpose, the exemption limit is CHF 20,000. Non-material purposes include, for example, political, religious, charitable and child or youth promotion tasks; the essential characteristic is that no economic purposes are pursued.*

For the cantons, the exemption limit for profits is between CHF 5,000 and CHF 20,000. In some cantons there is (currently) no exemption limit. In other cantons, the exemption limit for associations with a non-material purpose is also CHF 20,000, as is the case with the federal government.

Capital tax

An exemption limit of between CHF 50,000 and CHF 100,000 applies to capital (assets) in the cantons.

The current cantonal profit and capital tax rates can be found in the “tax folder” of the Federal Tax Administration:

<https://www.estv.admin.ch/estv/de/home/die-estv/steuersystem-schweiz/steuermaepchen.html>

Taxable income

Membership fees do not count as taxable profit. Likewise, donations do not count as taxable profit if they do not exceed amounts that vary from canton to canton. Larger donations, gifts and inheritances are taxable, although this varies from canton to canton.

Taxable income includes in particular:

- income from events (performances, concerts, lotteries, etc.)
- income from catering services (festival operations, kiosks, etc.)
- financial income
- gross income from real estate

- general operating profits (profit from trading, production and services, e.g. course fees, consulting income, subscriptions, licences)
- subsidies and sponsorship

When does a reporting obligation apply?

An association only has to complete a tax return if it makes a taxable profit or has capital that exceeds the exemption limit. In most cantons, no tax return has to be completed if the profit and capital for cantonal and federal taxes are below the exemption limit. In some cantons, the association must be registered with the cantonal tax authorities or a tax return must be submitted in any case, even if the profit and capital are negligible.

If an association has been granted tax exemption, it does not have to complete a tax return in most cantons, although there are cantonal exceptions (e.g. Canton of Geneva). The association must obtain information directly from the cantonal tax administration. However, some cantons require the association's annual accounts to be submitted to the tax administration (note in the decision on tax exemption).

The association has been liable for tax for some time

If the association has been liable for tax for some time but no tax return has been completed, the cantonal tax authorities must be contacted and a voluntary declaration submitted. The limitation period is 10 years.

Value-added tax

Associations are liable for VAT on income that they generate through the sale of products and services subject to VAT if these have a turnover of more than CHF 100,000 per year – a turnover limit of CHF 250,000 per year applies to non-profit, voluntary sports and cultural associations and charitable institutions. VAT is also due when these turnover limits are reached if no or only a small profit is made or if the association is exempt from profit and capital tax. VAT must be self-declared.

Further documents:

- Work aid tax exemption vitamin B
- B-Dur Taxes
- <https://www.estv.admin.ch/estv/en/home/value-added-tax.html>

**Legal entities whose profit does not exceed CHF 20,000 and who pursue non-material purposes can apply for this profit not to be taxed. The written application to be submitted together with the tax return must be accompanied by a copy of the articles of association stating that the legal entity pursues a non-material purpose as defined above and that its profits are exclusively and irrevocably dedicated to this purpose. If the legal entity is dissolved, the assets must therefore be transferred to another legal entity with a comparable purpose, which must be stipulated in the articles of association by means of a corresponding unalterable provision. (Guideline cantonal tax office ZH)*