



Inheritance Tax Initiative 2024

Making sure you know what to expect

June 2024

About the initiative

In March 2024, the popular initiative 'For a social climate policy – financed fairly through taxation (Initiative for a Future)' – in short, the 'Inheritance tax initiative' – came into being. It calls for an inheritance and gift tax of 50%. This is to be levied by the federal government in addition to cantonal or municipal inheritance and gift taxes.

Those affected can claim a one-off tax exemption of **50mCHF** on all gifts and a person's estate after the initiative is adopted. The number of persons or institutions that receive donations from this estate is irrelevant. A national register must be maintained for this purpose.

The text of the initiative does not allow for any exceptions and prescribes additional measures to prevent tax avoidance, for example when moving abroad. After the initiative is adopted, the legislative authorities must adopt the implementing provisions within three years.

Two thirds of the revenue from the new inheritance and gift tax will go to the federal government and one third to the cantons. They should use these funds to combat the climate crisis in a manner which is socially just as well as for the necessary restructuring of the economy as a whole.

Critical appraisal

The text of the initiative, which is very short on details, does not make it clear how the initiative could be implemented. Based on the publications of the initiative committee, we interpret it as follows:

- > The legislator is not granted any leeway or exceptions, not even in the case of company succession. In many cases, such transactions will only be possible if they are combined with partial sales and IPOs of companies, or if significant external financing is taken out to cover the tax payable.
- > Nonprofit institutions would also be affected by the implementation of the initiative, with no exceptions. These are often taken into account in the context of inheritances. If the initiative is adopted, they would only receive 50% of the allocated amount.
- > Since the federal estate and gift tax is to be levied in addition to the existing cantonal inheritance and gift taxes, in extreme cases this could result in a tax rate of almost 100%.

Recent developments

On 18 April 2024, a parliamentary initiative was submitted to impose a tax on 'multi-million franc estates belonging to natural persons'. This is intended to finance the AHV. The initiators consider a tax rate of 10% and an allowance of 5mCHF to be 'conceivable', and mention that this could also be treated as a counter-proposal to the 'Initiative for a Future'. However, they see financing the AHV as being more important than tackling the climate crisis.

On 15 May 2024, the Federal Council recommended rejecting the initiative without presenting a direct alternative or indirect counter-proposal. It has instructed the Federal Department of Finance to prepare the message to present before Parliament.

Stages in the political process

Based on the Parliamentary Act on the Treatment of an Initiative, we have created a **possible timeline** for the political process (see Figure 1). Accordingly, a referendum on the inheritance tax initiative could take place in around 2026.

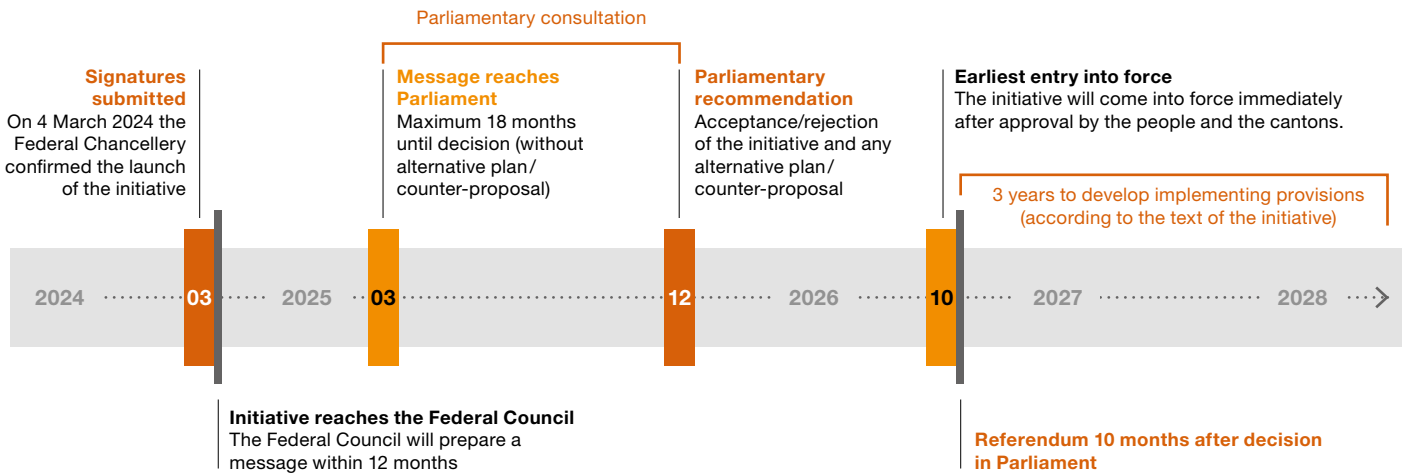


Figure 1: The Swiss electorate will probably be able to express its opinion on the inheritance tax initiative at the ballot box in 2026.

Happy to help you in your local area

We experts at PwC are happy to discuss the issue with you as well as its impact on your current or future situation. We look forward to hearing from you.

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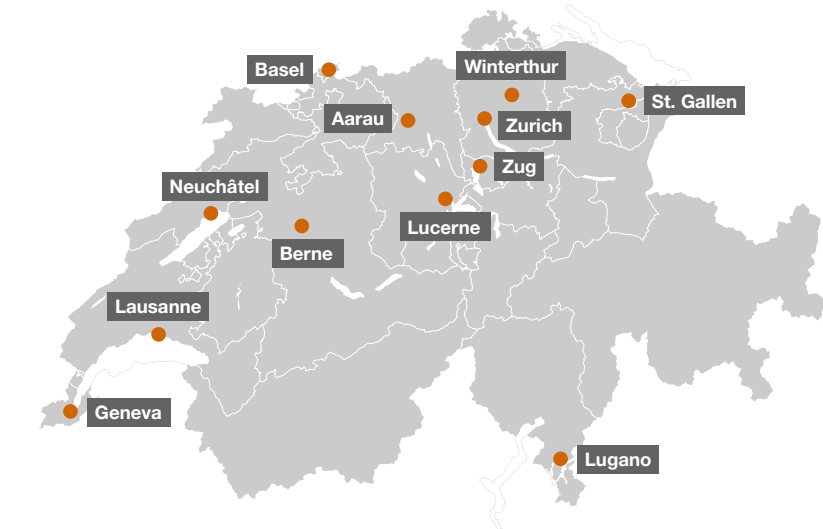
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