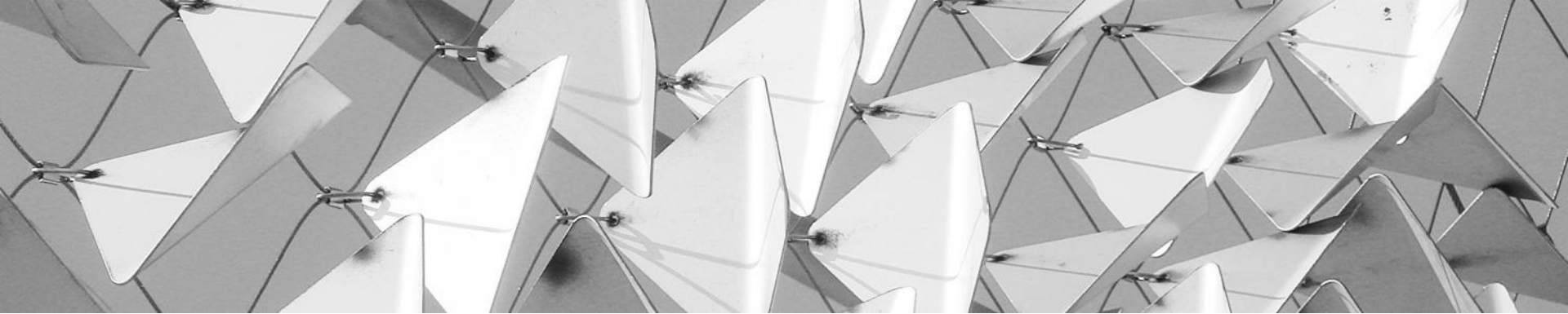


END OF THE TAXATION OF THE RENTAL VALUE?

NEW SPECIAL REAL ESTATE TAX ON SECONDARY RESIDENCES?



On September 28, 2025, the Swiss people and cantons will vote on an amendment of the Federal Constitution aiming to introduce a new provision authorizing cantons and communes to levy a **special real estate tax with the owners of secondary residences** situated in their territory. The special real estate tax is to come in addition to the present annual real estate tax levied with real estate owners in Switzerland. The concrete aspects of this new tax remain presently nebulous, they will be fixed by the competent authorities, at cantonal and communal levels, after September 28, 2025 should the vote find a positive echo with a majority of the Swiss voters and Swiss cantons.

The objective of the new special real estate tax is to minimize the losses of fiscal entries resulting from the **abolition of the rental value and its taxation** in the hands of the owners occupying their own apartment or house (as primary and/or secondary residence).

Who says abolition of rental value and its taxation, says **abolition of the deductions of the maintenance costs and mortgage interests, at federal and at cantonal levels, save restrictive exceptions**, such as: deduction of costs for the preservation of monuments and historic buildings; “proportional restrictive deduction” of mortgage interests where the owner and taxpayer rents out to third parties houses or apartments he owns in addition to the house or apartment he occupies. In addition, the purchasers of a first apartment or house will be authorized to deduct part of their mortgage interests over a ten-year period and on a degressive scale (“first buyers’ privilege”). Furthermore, cantons and communes maintain the power to authorize, based on their proper legislation, a deduction for costs for energy-efficient renovations and costs of demolition in view of the construction of a new building. The cantons and communes may also authorize, based on their own legislation, the carryover of deductions not entirely absorbed in a fiscal year.

We recall that for rented apartments and/or houses, the costs of maintenance will still be authorized as far as they are directly linked to the taxable rental income.

As mentioned above, **the consequences connected with the proposed constitutional amendment remain today nebulous**. Among the potential winners of a positive vote on September 28, 2025, are the owners of real estate property with zero or a minimal charge of mortgage interest (less than 2%). Among the **potential losers of a positive vote** on September 28, 2025, are the owners of secondary residences who will face a new special real estate tax; the owners of old buildings in need of renovation or maintenance works and the construction sector; also as further losers are the mortgage debtors facing an increase of their mortgage interests charge (mortgage rate in excess of 2%). As regards tenants, they might face, as ordinary taxpayers, a general increase of taxes resulting from the compensation of the tax losses following the abolition of the rental value and its taxation and/or face a slowdown of maintenance works at the charge of the landlords.

We shall monitor the outcome of the vote on September 28, 2025.

Until the vote, and in case of a rejection of the constitutional amendment by the Swiss people and cantons, there will be no immediate changes for house owners (as primary and/or secondary residence).