



# Introduction of the tax on secondary residences

## Modification of the visitor's tax

01.01.2015

### 1. Legal bases

The coming into effect, on the 1<sup>st</sup> of January 2008, of the new Economic Development Act triggered, amongst other things, the abrogation of the old cantonal law on tourism and of the cantonal visitor's tax, of which 35% were allocated to the municipalities. In order to compensate this reduction of the income for the municipalities, the *Conseil d'Etat* introduced, with the article 3bis of the communal tax law (LCom), new taxes that can be levied by the municipalities, called 'taxes to support measures and facilities in favour of tourism'. This article stipulates:

#### **Art. 3bis Communal tax** 6, 21, 26

<sup>1</sup> The municipalities can, amongst others, levy:

- a.** a communal visitor's tax, when they assure a touristic vocation. The revenue of this tax must be assigned to expenses benefiting all tourists;
- b.** a communal tax for tourism promotion, when they assure a touristic vocation;
- c.** a communal tax on secondary residences. The revenue of this tax must be assigned to expenses, directly or indirectly, benefiting those paying it;
- d.** a communal tax for the promotion and the development of economic activities, when they assure an economic and commercial vocation.

<sup>2</sup> These taxes are subjected to a regulation adopted by the general or communal council and submitted to the head of the concerned department.

### 2. Why a modification ?

#### **2.1 Legislative adaptation**

Various judgements of the Cantonal Court produced case law compelling us today to make better use of the tools provided to the municipalities by the art. 3bis LCom hereinabove.

Indeed, the Federal Supreme Court confirmed that the visitor's tax can only be levied on temporary guests, excluding any other taxpayer, such as the owner of a secondary residence.

Consequently, it is necessary to distinguish the visitor’s tax, addressed to temporary guests, from the tax on secondary residences. Therefore, it is not a question of introducing a new tax for the owners (of secondary residences) but of **replacing** the annual visitor’s tax by a tax on secondary residences.

Numerous municipalities already made this distinction and apply this new system, including the Montreux area, the Pays-d’Enhaut, around forty municipalities of La Côte (Gland, Rolle, etc.), the Cossonay, Aubonne and Morges region, Avenches, etc.

**2.2 Cohesion with our tourist partners**

The tourist association of the axis number 1 (Villars-Diablerets-Gryon-Bex) created by the merger of the tourist offices should offer a regional cohesion and avoid disparities between the four municipalities constituting it. This is why we based our two new regulations on that of Ormont-Dessus, already in effect and enforced so far, and included/decided to fix the same rate.

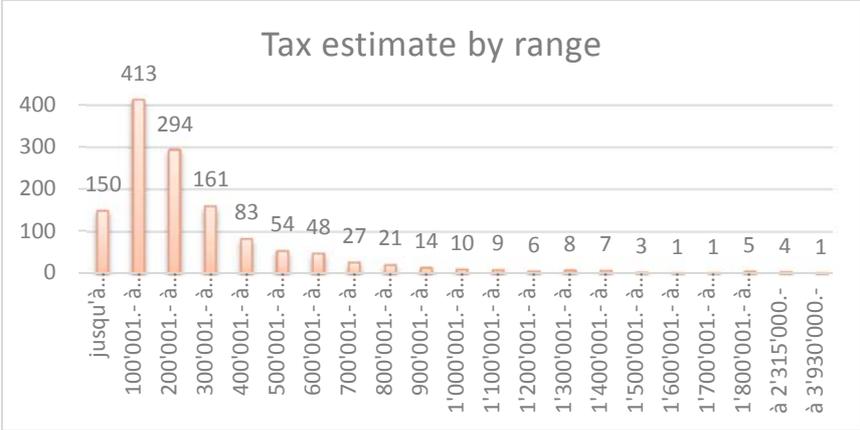
**2.3 Rental incentives**

The main novelty is the introduction of rental incentives, in order to increase the housing occupancy. The owners letting their real estate property will have the possibility to benefit from a refund on their set annual tax according to the terms detailed hereinbelow.

**3 What is changing ?**

BEFORE	AFTER
Visitor’s Tax	Tax on secondary residences
Fixed at 1,9 ‰ of the EF, min. 250.- max. 1900.-	Fixed at 2,4 ‰ of the EF, max. 3000.-, min 350.-
	Refund if property rented
Per night, various rate depending on the season	Visitor’s tax per night, unaltered

Examples :	before	after	difference
EF 100'000	Fr. 250.-	Fr. 350.-	100.-
EF 250'000	Fr. 475.-	Fr. 600.-	125.-
EF 500'000	Fr. 950.-	Fr. 1200.-	250.-
EF 1 million	Fr. 1900.-	Fr. 2400.-	500.-



65% of the owners have a tax estimate lower than fr. 300'000.- and, consequently, the actual increase will be equal to or lower than fr. 150.- per year.

N.B. the regulation allows for a maximum rate of 4‰ of the EF, in order not to require a modification of the legal basis for each adjustment, but it is the 2,4‰ rate that will be applied, exactly as it is done in Les Diablerets. Of this rate, a share of 0,6‰ is directly assigned to the free-access card and a share of 0,4‰ will fund tourist facilities.

## 4 Why an increase ?

### 4.1 Maintenance and development of the facilities

After the federal votation limiting secondary residences, our resources, based on the property development and the real estate market significantly diminished and we need to be able to guarantee the repair and maintenance of our various tourist facilities. It is also important to continue investing and financing new amenities for our guests in order to keep a strong and modern image. The resort gains attractiveness and the secondary residences gain in value!

Amongst others, improvements are planned at the Gryon-Parc (2014), at Fricence or at Cergnement. The tennis courts require a refurbishment and the snow groomer used for the cross-country ski and winter-walking trails will eventually need to be replaced. Of course, this is a non-exhaustive list.

### 4.2 Common participatory effort

A tax increase was imposed on the residents of Gryon in 2013, adding 3 tax points. The communal council asked, at the time, that the owners of secondary residences also contribute to this effort. The tax increase imposed on our citizens can be paralleled to that generated by the tax on secondary residences seeing as it represents, for example, approximately fr. 200.- for an annual tax of fr. 5000.-.

## 5 Terms and conditions of the rental incentives

### 5.1 Basic principles

While the property is rented (or lent) to a third party, the owner is not staying in the property and, thus, cannot 'benefit' from the facilities and various advantages. As the occupiers of the property will pay the visitor's tax, it is natural that the owner can deduct these visitor's taxes from his basic tax, in the form of a **credit** to be claimed on the invoice for the following year. (N.B. as to date, the guests and relatives staying in the property at the same time as the owner are exempt from the visitor's tax)

The communal regulation states that this credit is of 75% of the declared and paid visitor's tax. The 25% remaining remains in possession of the collection agency to cover the administrative costs of management. This credit is limited to the annual total of the fixed tax on secondary residences (art. 10).

Upon request, the owner renting his property yearly as a secondary residence can transfer the expenses and benefits from the tax on secondary residences in favour of the actual occupier of the accommodation (art. 7).

### 5.2 Application

The owner who wishes to obtain the refund on his tax is required to bring the proof of payment of the visitor's tax by the tenants or occupiers of his property.

He will have at his disposal the ad hoc form, to which he will attach the proofs of payment. This form will need to be returned, at the latest on the **31<sup>st</sup> of January** of the following year, to the collection agency (Maison du Tourisme)..

## FREQUENTLY ASKED QUESTIONS:

- 1. As the owners are already paying various fees and taxes in Gryon, why a new tax?** It is not a question of introducing a new tax but of replacing the old annual visitor's tax. The other fees already paid by the owners of secondary residences (refuse, potable water, sewage) represent an assigned revenue and cannot be used for anything else than maintain the concerned networks and amenities. The tax on secondary residences will serve to maintain and develop the facilities connected to tourism, an essential element to preserve the attractiveness of the resort.
- 2. Will the owners of secondary residence dwelling in Gryon be subject to the tax?** No, because they are already paying taxes as citizens and, thus, already participate in the development of the municipality.
- 3. Will the desire to rent also be considered, for example in the event of an abundance of accommodations or when struggling to find tenants?** No, the aim being to 'heat up' the beds, only the effective occupancy, thus the payment of the visitor's tax, will allow a refund of the tax on secondary residences.
- 4. How will the societies and collective ownerships be treated?** The legal entities, that is to say the societies, are considered as 'owners', except for the non-profit foundations and associations. They are subject to the tax, but must appoint a responsible who will receive the free-access card. If it is an estate, each member of the collective ownership, his or her spouse, and his or her children are entitled to the card. If it is a usufruct, the beneficiary can obtain the card in his name, with the permission of the owner.
- 5. What are the cases of exemption from the tax on secondary residences ?**
  - People having their tax residence in Gryon or those paying part of their taxes in Gryon, according to the art. 14 LICom
  - People renting their property all year long to someone dwelling in GryonRegarding the visitor's tax, the regulation states various cases of exemption.
- 6. Are children subject to the visitor's tax ?** They are subject to it starting from their 9<sup>th</sup> birthday / from the year of their 10<sup>th</sup> birthday.
- 7. How are long-term holiday rentals treated ?** The implementing rules state a decreasing rate according to the length of the stay during the free-access period.