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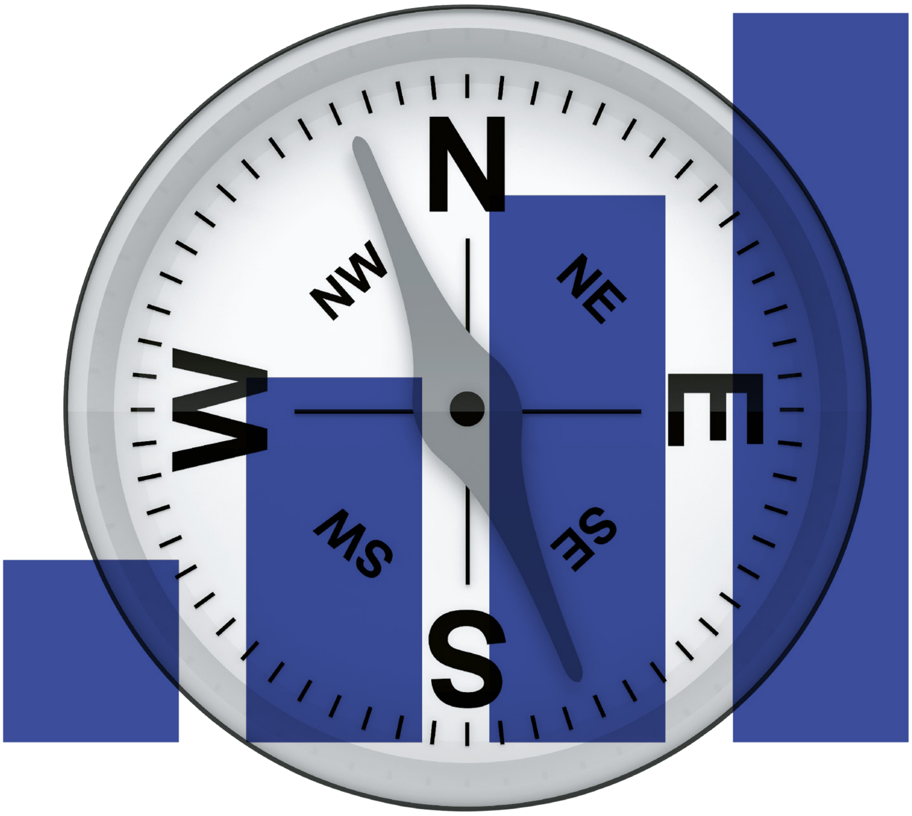
Taxation




# Impacts of the abolition of the imputed rental value

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**Key Take-aways**

**1.**
System change as of 2029: The imputed rental value will be abolished, and at the same time maintenance and energy-saving deductions for owner-occupiers will be eliminated. Value-preserving investments should therefore be carried out by the end of 2028.

**2.**
Elimination of the debt-interest deduction: Owner-occupiers can no longer deduct private debt interest; for properties rented out, only a proportional deduction will remain available. An exception applies in the form of the time-limited first-time buyer deduction.

**3.**
Second homes: Cantons will be permitted to levy a property tax on predominantly owner-occupied second homes. Whether such a tax is levied, and at what rate, will be decided by the canton in which the property is located.

## 1 System change as of 1 January 2029

On 28 September 2025, the Swiss electorate and cantons approved the reform of the taxation of home ownership with **57.7 % of the votes in favor**. On 1 April 2026, the Federal Council decided to **implement the reform as of 1 January 2029**. This will abolish the imputed rental value, a construct introduced in 1934 as a crisis levy and internationally unique, after more than 90 years.

The bill consists of two legally interlinked parts. The first abolishes the imputed rental value and limits deductions. The second allows the cantons to levy a special property tax on second homes if they implement a constitutional amendment. This linkage is the reason for the delayed entry into force. The abolition of the imputed rental value could have taken effect as early as 2028, but this gives the cantons an additional year to introduce their property tax simultaneously with the abolition. **Until the end of 2028, the current law will remain in effect unchanged**.

The centerpiece is the complete abolition of imputed-rental-value taxation on owner-occupied residential property, including primary and secondary homes. This significantly reduces taxable income but, in return, eliminates nearly all associated financial deductions. For wealth and tax planning, this calls for a fundamental reorientation and opens a valuable window for action running until the end of 2028.

Note that **the reform concerns the income tax of natural persons**. The wealth tax on real estate and the real estate capital gains tax in case of a sale remain unaffected. Existing cantonal or communal property taxes also continue to apply. The abolition of the imputed rental value has no impact on legal entities.

**System change as of 1 January 2029: imputed rental value will be abolished.**

## 2 Elimination of deductions for owner-occupied property

As of 2029, **maintenance, repair, insurance, and third-party management costs for** owner-occupied properties held as private assets will no longer be deductible. Value-preserving expenditures will thus qualify entirely as private consumption. The previous underutilization deduction will also be abolished. **For rented or leased out properties, however, maintenance costs remain fully deductible**, because according rental and lease income continues to be taxed.

The elimination of these deductions represents a **simplification of the system**. It eliminates the estimation of imputed rental value, the filling out of property forms, as well as a large share of the documentation requirements and disputes regarding the appropriateness of imputed rental value and deductions. However, additional administrative burdens may arise for mixed-use properties and in connection with the new property tax.

## 3 Energy-related renovations: a patchwork of cantonal rules

Ecological investments will be subject to a two-tier system. **From 2029 onward, deductions for energy conservation, environmental protection, and demolition** in preparation for new construction **will no longer apply for direct federal tax purposes**. Only the deduction for heritage-preservation work will remain. For cantonal and communal taxes, cantons remain free to continue granting deductions for energy-saving measures and environmental protection, as well as for demolition costs, until 2050 at the latest or until the net-zero target is reached.

The cantons are taking divergent approaches. The Canton of Zurich, for instance, intends to abolish energy-related deductions in accordance with the will of the cantonal government and instead rely on targeted subsidies. It expects the abolition of the imputed rental value alone to result in revenue losses of roughly CHF 150 million for the canton and the communes each. The Canton of Aargau, by contrast, intends to use the leeway in taxpayers' favor and retain the deductions as a renovation incentive, knowingly accepting a revenue shortfall of around CHF 20 million annually (canton) and CHF 18 million (communes). **The decisive factor is therefore the canton of residence**, and in many places concrete implementation has not yet been bindingly decided.

**Almost all deductions for owner-occupied property will be abolished.**

## 4 New debt-interest rule and first-time buyer deduction

The most significant change concerns private debt interest. Parliament opted for the proportional-restrictive method, because it most effectively curbs incentives to take on debt. **Anyone who does not rent or lease out a property will, in principle, no longer be able to deduct any private debt interest at all**, whether on the mortgage of their own home or on consumer or lombard loans. The rule thus also affects persons without real estate, such as someone holding a credit-financed securities portfolio.

Anyone who, alongside their own home, rents out **investment properties** may deduct debt interest only proportionally, in the ratio of rented or leased out properties located in Switzerland to worldwide total assets. An example illustrates the effect: if the properties rented out amount to CHF 800,000, total assets to CHF 2,400,000, and debt interest to CHF 30,000, the ratio is 33.3 %. In this example, **only CHF 10,000 in debt interest is deductible**. It is immaterial whether the interest is actually attributable to the properties rented out; only the ratio is decisive. Simply shifting private mortgages onto investment properties therefore achieves nothing. **Business debt interest is not affected**; it remains fully deductible where commercially justified.

The sole exception for owner-occupiers is the **first-time buyer deduction**. Anyone purchasing their first primary property in Switzerland for permanent personal use may deduct **up to CHF 10,000 (married couples) or CHF 5,000 (other taxpayers)** in the first year. This maximum deduction then decreases by 10 % annually over ten years before expiring. Transitional provisions also protect buyers who acquired their property before the reform came into effect. For example, someone who purchased three years before 2029 may still claim the correspondingly reduced deduction for a further seven years, provided ownership has been held without interruption. The amount is calculated not from the effective date of the reform, but from the date of purchase.

**No more debt-interest deduction for owner-occupiers that do not rent out.**

## 5 New property tax on second homes

To counterbalance the abolition of the imputed rental value on second homes, cantons and communes are now permitted to levy a special property tax on second homes that are predominantly owner-occupied. This is a pure property tax, or partial wealth tax. It is linked solely to the property itself and **is levied irrespective of debt or economic capacity**. It may be imposed in addition to any existing cantonal or communal property tax and to tourism levies.

The cantons have considerable leeway in designing this tax. The assessment base may be, for example, the market value or the wealth tax value, with the market value forming the upper limit. With regard to the tax rate, the only constraint is the constitutional prohibition of confiscatory taxation, although the Federal Supreme Court has set a high threshold for this. **The concept of predominant owner-occupation is not defined by law and will have to be specified at the cantonal level**. For example, there is discussion of a time limit of more than 182 days per year during which the property is not rented out.

Whether and to what extent a canton will implement this tax remains to be decided. It is being examined primarily in cantons with significant tourism sectors such as Bern, Uri, and Grisons, while elsewhere, such as in the Canton of Lucerne, it is rejected as disproportionate. If the property is rented out from time to time, the rental income is additionally subject to income tax. To mitigate double taxation and prevent vacant units, **cantons may offset the income tax on rental income against the property tax**. If the property tax amounts to CHF 4,000 and the income tax on the rental income to CHF 2,500, CHF 1,500 remains payable.

## 6 Special case: mixed use

**What matters is how a property is used**. If a second home is used exclusively by the owner, it does not qualify for the debt-interest deduction, but the canton may levy property tax on it. If it is predominantly owner-occupied but partly rented out, the portion rented out can be considered for purposes of the debt-interest deduction. The law does not regulate this case exhaustively; a delineation based on the number of rental days or on rental income is conceivable, and the canton may in addition levy a property tax. If the property is rented out entirely, it qualifies for the proportional debt-interest deduction, no property tax may be levied, and the rental income must be taxed as income. In the event of a change during the year, for instance through a sale or a change in use of the property, the calculation is made on a pro rata basis. In practice, these distinctions are likely to require additional clarification, particularly in cross-cantonal situations.

## 7 Value-enhancing investments remain relevant

**The reform leaves value-enhancing costs unaffected**. Unlike ongoing maintenance, these expenses remain deductible for real estate capital gains tax purposes, as before, and reduce the taxable gain upon a later sale. The clear distinction between value-preserving and value-enhancing work, together with corresponding supporting documentation, thus gains even greater importance. Value-preserving costs are deductible from income only until the end of 2028, whereas value-enhancing costs continue to be relevant thereafter, but only upon disposal.

**Energy-related renovations face a looming cantonal patchwork.**

## 8 Taking advantage of the transition period from 2026 to 2028

Owners should actively make use of the transition period until the end of 2028. Value-preserving renovations, such as painting, roofing, window, or plumbing work, should, where possible, be **carried out and paid for before 31 December 2028** so that they can still be deducted in full from income. Since experience shows that many owners tend to schedule work at the same time, it is advisable to obtain quotes early. Larger projects can be staggered across 2026 to 2028 to break the tax progression as effectively as possible. Care should be taken to ensure that taxable income does not fall below zero, since **loss carryforwards are not available to private individuals**. Condominium owners should consider making higher but continuous contributions to the renewal fund, since conspicuous lump-sum payments shortly before 2029 risk being reclassified as tax avoidance. And since the debt-interest deduction on an owner-occupied home will cease to apply, amortization of the mortgage may become more attractive.

## 9 Impact on Personal Situation

The outcome varies depending on one's initial situation. Debt-free or low-debt owner-occupiers - often retirees - are among the clear winners when interest rates are low, because their taxable income decreases and they lose virtually no tax deductions. Conversely, highly indebted homeowners with upcoming renovation needs are the most vulnerable, especially when interest rates rise. Young families and first-time homebuyers are cushioned by the temporary first-time homebuyer deduction, but are at a disadvantage compared to older homeowners, already in case of lower interest rates. Owners of second homes lose the same deductions as they would for their primary residence and, depending on the canton where the property is located, may now be subject to property tax. Private landlords can continue to fully deduct maintenance costs but lose the previous flexibility regarding the deduction of debt interest, as this now depends on the composition of their total assets. In addition, the energy-saving and environmental protection deductions are eliminated for direct federal tax.

> **Planned renovations should be carried out before the end of 2028.**

## 10 Conclusion and recommendation

The system change eliminates a Swiss peculiarity and reduces incentives for over-indebtedness. This simplification, however, comes at the cost of new complexity in delineation questions, for instance regarding mixed-use properties, below-market rents, and the proportional calculation of debt interest, as well as of divergent cantonal approaches depending on place of residence. Given the far-reaching consequences for real estate portfolios and financing structures, **an early analysis is recommended**.

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