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Secondary Residence Initiative and Property Owned by Foreign Nationals

Dear Sir or Madam,

With this current newsletter we would like to present the current situation regarding the Secondary Residence Initiative.

On 11 March 2012 voters in Switzerland surprisingly approved the Secondary Residence Initiative. The authorities thus decided to severely restrict the use of secondary residences, mainly for tourist purposes, in areas where these residences amount to 20% of the total housing stock. Particularly affected are the cantons of Berne, Graubünden, Ticino, Vaud and Valais. The Swiss Federal Council implemented the Secondary Residence Initiative the very next day by instructing the cantons to immediately stop granting planning or building permissions, even before a law had come into effect or an implementation ordinance had been presented. The procedure was kept, and the Swiss Federal Council provisionally regulated essential elements via ordinance.

Now the Swiss parliament has addressed it and issued the "Federal Act of 20 March 2015 on Second Homes (Second Homes Act)". The most crucial points:

- Any residence not deemed primary residence is regarded as secondary residence. As soon as someone permanently resides in a property, this is then deemed the primary residence.
- There are no restrictions for towns or villages with less than 20% of second homes ownership.
- Previously existing secondary residences are not subject to any restrictions, and can also be converted or extended.
- Any residences built before 11 March 2012 are residences subject to previous law and free to use for whatever purposes.
- The conversion of hotels or hospitality establishments into second homes is an additional option.

This act has now created legal certainty. Still in effect is the "Federal Act on the Acquisition of Real Estate by Foreign Nationals", implemented 16 December 1983 (updated 1 March 2013). This act regulates the acquisition of property by foreign nationals. It is possible to purchase either a primary residence (to become domiciled) or a secondary residence (with differences from canton to canton). Equally possible is the acquisition of commercial property. However, what is not possible is the acquisition of residential buildings for letting (investment property).

If you have any further questions, then of course the artax team will be at your disposal.

Kind regards

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