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Abolition of imputed rental value: consequences for private individuals and companies

Introduction

On September 28, 2025, the Swiss population voted in favor of a fundamental change to the system of taxation on residential property. The new system will come into force at the earliest in 2028, although there are indications that implementation may be delayed. The tax implications and the planning options available until the new system takes effect are outlined below.

Abolition of the imputed rental value for primary and secondary residences

With the system change, the imputed rental value — i.e. the taxation of a notional rental income on owner-occupied residential property held as private assets — will be abolished. This applies to both primary residences and second homes.

Restriction of deductions

With the abolition of the imputed rental value, the existing deduction options will also be abolished in whole or in part. Specifically, this means that maintenance costs will no longer be deductible, neither as an annual lump sum nor as actual expenses. The same applies to insurance premiums, such as building insurance.

In addition, at the federal level, the deductions introduced in 2020 for energy and environmental protection measures (including for photovoltaic and solar thermal systems) and for demolition costs in view of a replacement new building, as well as the possibility to carry forward certain deductions to the following two tax years, will be abolished again. Whether and to what extent these deductions will remain deductible at the cantonal level is yet to be determined by the cantons; however, costs for energy and environmental protection measures may be granted until 2050 at the latest.

Deductions for monument preservation work will remain deductible at the federal level. The cantons may adopt different regulations.

Private debt interest

The deduction for private debt interest will only be granted in proportion to all rented properties located in Switzerland in relation to total private assets. This means that taxpayers who do not own any rented properties will generally no longer be able to deduct any debt interest. An exception applies to the first-time acquisition of an owner-occupied property, for which a deduction of up to CHF 10,000 (for jointly assessed couples) or CHF 5,000 (for single taxpayers) in the first tax year when purchasing a first home for personal use, followed by a linear reduction of 10% of the maximum amount in the following nine years.

Property tax on second homes

For owner-occupied second homes, the cantons may introduce a property tax. Whether and how the cantons will implement this is still unclear. Significant cantonal differences are to be expected.

Consequences for private individuals

The tax consequences depend on the individual's circumstances. Those who are currently heavily leveraged and regularly deduct debt interest and maintenance/renovation costs (e.g. for older properties) will be able to make significantly fewer deductions in the future. As a result, the income tax burden will increase. Owners of older properties, or those planning to take over or purchase an older property, should take this aspect into account in their planning.

Consequences for companies

The changes only affect privately held properties, not business assets. However, indirect consequences may nevertheless arise due to the impact on the real estate market, as well as for financial institutions and the construction industry.

Options for action during the transition phase

As long as the date of entry into force has not yet been determined, property owners should clarify any major maintenance or energy efficiency measures, including their financing, and, if necessary, plan them in such a way that they can be deducted in a tax-optimized manner. In addition, the future restriction on the deduction of debt interest should be considered, and financing structures may need to be adjusted. Depending on the specific situation, alternative structures (e.g. contribution to a company) and their advantages and disadvantages should be analysed.

Recommendation

In view of the system change, it is advisable — especially for larger assets or more complex real estate portfolios — to involve specialist advisors at an early stage to take advantage of the opportunities available and avoid costly (wrong) decisions.

Please do not hesitate to contact us if you have any questions — we will be happy to assist you.

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