

## **I-INCE Tax Issues**

### **Summarized Activity Report 2022**

#### **Starting Situation**

Being an association according to Swiss law since its foundation, I-INCE principally is subject to Swiss law and taxation. However, following its non-profit tradition, I-INCE was convinced not to be subject to a declaration obligation. In recent years, this belief was unsettled by increasing requests to prove its fiscal identity. After thorough preliminary studies the board of I-INCE then decided in 2020 to contact Swiss tax authorities and to disclose its financial situation and activities. Subsequent discussions with the relevant cantonal tax authority, the “Kantonales Steueramt Zürich” in Zurich, Switzerland, resulted in three consecutive activities.

1. Declaration for tax registration,
2. Application for future tax exemption,
3. Submission of tax declarations for the last five fiscal years.

This report will shortly review and summarize these activities and their final outcome.

It should be noted that all correspondence with Swiss tax authorities is expected to be in German. In particular, official orders and declarations must be submitted in German and/or will be issued in German language only. However, I was assured that after termination of our fiscal assessment, phone calls and explanatory emails also could be accepted and replied in English.

In addition, the authorities are also restricted to send out standard letter mails to our legal address in Switzerland only.

#### **Tax registration**

Our formal declaration of tax registration was submitted on November 11, 2020, and resulted in allocation of a tax registration number by the Swiss authority

**Tax registration number of I-INCE: J0002213422**

This allocation terminated longstanding uncertainty about tax identification numbers of I-INCE which we were asked mainly by our banks.

#### **Tax exemption**

Swiss tax legislation principally allows exemption of tax for non-profit associations. However, such tax exemption is bound to strict conditions. After a thorough analysis we stated, however, that the activities of I-INCE as well as acquisition and use of its financial resources would justify an application for tax exemption.

Together with comprehensive documentation of the history of I-INCE, its goals and objectives and the activities to pursue its purpose, the formal application for tax exemption was submitted on February 12, 2021. By letter dated March 19, 2021, the authority declared that I-INCE would meet all conditions for tax exemption if and only if it would change its by-laws by

- explicitly excluding any activity or income which serves the Institute itself beyond its charitable, non-for-profit mission,
- adding the principle of volunteering board activity,
- changing and precisely specifying the dissolution clause.

To make tax exemption become effective, the President and the President elect signed, on May 11, 2021, on behalf of the Executive Committee a binding declaration to take all steps

necessary to implement the required changes of the by-laws. In return, the tax authority enacted the official “tax exemption order”, dated July 27, 2021. It basically says that

- I-INCE is, as of the year 2020, exempt from all tax in Switzerland and from any obligation to tax declarations,
- I-INCE is obligated to give the Swiss tax authority notice about any changes of its by-laws and its dissolution,
- (only) by request of the tax authority, I-INCE must disclose its annual activity report, its annual financial statement and/or other documents as specified by the authority.

By fulfilling and verifying all requests for amendments to the by-laws after Inter-Noise 2021 (see my Summary Taxation Report for BoD meeting 2021 and the respective Board Minutes 2021), all conditions of this order were met. Consequently, the order was confirmed and remains valid until further notice.

### **Tax declarations**

After thorough review and revision of the I-INCE financial reports for the five years preceding tax exemption (2020), i.e. the years 2015 to 2019, tax declarations were prepared in close cooperation with the I-INCE treasurer and the I-INCE President. They were formally submitted to the tax authorities on January 25, 2022.

In return, the corresponding tax assessment notices were stated on March 17, 2022. In total, our subsequent tax liability for the years 2015 to 2019 was fixed to a total amount of 1,744.89 CHF which was about 1,700 € (see the treasurer’s financial report for details).

### **Documentation and responsibilities**

For both, future retrieval from the records as well as easy future reference and awareness, the legal and fiscal classification of I-INCE must be completely filed in accessible documents. Therefore, it is intended to

- compile all correspondence with Swiss authorities in an archival directory
- highlight important documents, orders and final determinations and resolutions in a separate file together with their English translations.
- enable and facilitate later understanding in a clear and concise final report on the legal and fiscal status of I-INCE. To avoid later uncertainty and confusion about self-awareness and identity of I-INCE, this crucial report should be made and kept available in a highlighted easy access internal archive of relevant I-INCE policy documents.

By completion of the current tax assessments, the responsibility for all tax issues is exclusively reassigned to the treasurer of I-INCE. In addition, it should be clearly specified how the long-term internal responsibility for correspondence through our Swiss postal address is taken over by a suitable contact person to the Swiss Acoustical Society.

### **Conclusion**

With the tax exemption of I-INCE becoming effective and the transaction of its tax due payments, I-INCE has fulfilled all foreseeable fiscal obligations and payments for an indefinite period of time. If at all, the next inquiry can be expected in a couple of years from now – just to check whether the conditions for tax exemption still apply. Thus, the legal tax situation of I-INCE seems to be finally and satisfactorily clarified.