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Daily compensation payments from Swiss statutory accident insurance subject to progression proviso

The daily allowance paid under the Swiss statutory accident insurance is a tax-exempt benefit comparable to sick pay under Book Five of the Social Code and is therefore subject to the progression proviso for taxpayers with unlimited tax liability pursuant to Section 32b (1) Sentence 1 Number 1 Lett. K of the Income Tax Act. This was decided by the Supreme Tax Court in a most recent judgment.

The Swiss statutory accident insurance provides income protection if employees are fully or partially unable to work following a work-related accident, a non-work-related accident, or an occupational disease.

The plaintiffs, who are jointly assessed, earned income from employment during the year of dispute (2018). The plaintiff was employed by a Swiss company as a cross-border worker within the meaning of Art. 15a of the 1971/2010 Double Taxation Agreement with Switzerland. He is a resident of Germany. Due to his employment, he was mandatorily insured under the Swiss Accident Insurance (a statutory social insurance program that provides coverage for work-related accidents, non-work-related accidents, and occupational diseases). In the event of an accident and incapacity to work, the insured person is entitled, among other things, to daily accident allowance from the third day following the accident; in the case of total incapacity to work, this amounts to 80% of the insured earnings. The plaintiff suffered a non-occupational accident in 2018 and subsequently received daily accident allowance as part of his gross wages.

In its decision, **the Supreme Tax Court** states for the first time that, with regard to the progression proviso under Section 32b (1) Sentence 1 Number 1 Lett. K of the Income Tax Act, the only relevant factor is the comparability of the foreign tax-exempt benefits with those provided by domestic**public** insurance funds. If, as in the present case involving Swiss daily allowance for a non-work-related accident, this is the case due to comparability with sick pay under Book V of the Social Code (SGB V), the application of the progression clause is not precluded even if the foreign benefits would also be comparable to a domestic **private** accident insurance policy. The wording of the law is unambiguous here. Objections raised by the taxpayer to this effect cannot therefore be accepted.

Source:

Supreme Tax Court, judgment of 24 June 2026 (VI R 26/24) published on 20 August 2026.

Keywords

compensation payment, health insurance