



Federal Department of Finance FDF

Switzerland and Uruguay sign double taxation agreement

Bern, 18.10.2010 - Today in Bern, Federal Councillor Hans-Rudolf Merz and the Uruguayan Economy and Finance Minister Fernando Lorenzo signed a double taxation agreement (DTA) in the area of taxes on income and capital. The DTA also contains provisions on the exchange of information which were negotiated in line with the parameters decided by the Federal Council and are in accordance with the OECD standard. The DTA will improve bilateral economic relations and boost direct investments.

In addition to the exchange of information in accordance with the OECD standard, Switzerland and Uruguay have agreed that dividends will be taxed at 15 percent in the source state. So long as companies have a stake of more than 25 percent in the company making the payment, the dividends will be taxed at 5 percent in the source state. Furthermore, it has been negotiated that the state of residence has the right of taxation concerning interest payments and that the source state can tax interest payments at 10 percent. Interest in connection with sales on credit will be exempt from tax. There will be no withholding taxes, even on interest on long-term bank loans. Royalties will be taxed only in the state of residence of the payment recipient, so long as Switzerland does not levy withholding tax on royalties.

After negotiations finished, a report on the agreement with Uruguay was submitted to the cantons and business associations concerned for their comments. The Conference of Cantonal Finance Directors and the business associations largely approved the signing of the agreement.

Stages between signature and entry into force

After a DTA has been signed, the Federal Council approves a dispatch for the attention of parliament, which is responsible for approving the DTA. Under the current practice, DTAs that provide for significant additional obligations are subject to an optional referendum. As was the case up to now, the decision as to whether or not a double taxation agreement should be subject to an optional referendum rests with parliament. The first ten DTAs with an extended administrative assistance clause were approved by parliament on 18 June 2010. The deadline for the optional referendum expired with no response on 7 October 2010.

The agreement can enter into force once the partner state has provided its approval. The point in time of entry into force depends on the agreement reached. As a rule, the agreements enter into force from 1 January of the calendar year following the date of entry into force, but the text of the agreement in question is decisive.

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