

Euro Tax Flash
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Euro Tax Flash from KPMG's EU Tax Centre



Switzerland and European Union sign agreement on automatic exchange of information in tax matters

Switzerland – European Union – Information exchange – Tax transparency

On May 27, 2015 Switzerland and the EU signed an agreement under which Switzerland on the one hand and the 28 EU Member States on the other will automatically exchange information on financial accounts of each other's residents from 2018.

Background

The agreement follows Switzerland's signing up to the OECD's multilateral agreement on information exchange in November last year. This new 'global standard' is understood to be fully included in the new agreement between Switzerland and the EU. The new agreement is also understood to be fully in line with the EU's own rules on automatic exchange of information that were agreed under a revised Administrative Cooperation Directive in October 2014. The latter are themselves substantially in line with the OECD's global standard.

The new agreement is understood to replace the savings taxation agreement that has been in force between Switzerland and the EU since 2005. The latter agreement was concluded in the context of the EU's Savings Directive that provided for the automatic exchange of information on interest paid between EU Member States (and in limited cases for an optional alternative withholding tax). This Directive was

substantially extended through international agreements to certain other jurisdictions, including Switzerland. The Swiss agreement provided for a withholding tax (currently 35%) on interest paid to EU Member State residents instead of information exchange. It is understood that the withholding tax exemptions for payments of dividends, royalties and interest between related entities in Switzerland and the EU will continue to apply.

What will be exchanged

As in the case of the OECD's global standard and the EU's Directive, the information would be exchanged on an annual basis and would include the names, addresses, tax identification numbers and dates of birth, as well as other financial and account balance information of residents of the respective countries.

Timing and next steps

Account data will be collected from 2017 with a view to being exchanged from 2018, provided the necessary approval formalities are completed in time in Switzerland and the EU. EU Member States are due to start exchanging information under the revised Administrative Cooperation Directive from September 2017 on account data as from 2016.

EU Tax Centre Comment

The current development is the natural result of Switzerland's commitment to implement automatic exchange of information on an international level. Similar agreements are expected before the end of the year with the other jurisdictions with which the EU had entered into similar agreements in the context of the EU Savings Directive, i.e.. Andorra, Liechtenstein, Monaco and San Marino.

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