

GMS Flash Alert

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Switzerland - Double Taxation Treaty with Brazil Entering into Force

Brazil and Switzerland signed their first double taxation treaty (“DTT”) pertaining to income taxes in May 2018. The DTT has now entered into force and the provisions of the agreement will apply from 1 January 2022.^{1,2} The DTT aims to promote the development of economic and commercial relations as well as foster tax cooperation between Brazil and Switzerland.

Brazil is Switzerland’s most important trading partner in Latin America.²

This article summarises briefly the most important aspects of the new DTT.

WHY THIS MATTERS

The provisions on the avoidance of double taxation should help foster cross-border commerce and protect cross-border workers against the risk of double taxation. The provisions on the exchange of information provide an additional impetus for Switzerland-Brazil cross-border workers to be compliant with their tax obligations and are in line with the most updated OECD standards.

Background and Key Points of the DTT

On 3 May 2018, Brazil and Switzerland signed a DTT concerning income taxes – the first such agreement between the two countries. It entered into force on 16 March 2021 and its **provisions will apply from 1 January 2022**.

The DTT takes account of the OECD’s base erosion and profit shifting (BEPS) project by including an anti-abuse clause.³ Treaty abuse, so-called “treaty shopping,” is essentially a situation where a person benefits from the DTT between two

jurisdictions without being a resident of one of those countries. BEPS's Action 6 Report states the requirements to establish a minimum level of protection against treaty abuse.⁴

The administrative assistance clause in this new DTT establishes required cooperation in terms of exchange of information, including automatic exchange, to the recovery of foreign tax claims, which addresses the current international standard.⁵

FOOTNOTES:

1 See (in English) "Entry into force of double taxation agreements with Brazil" at:

<https://www.sif.admin.ch/sif/en/home/dokumentation/fachinformationen/dba-brasilien-saudiarabien.html> .

2 See (in English) "Switzerland and Brazil sign double taxation agreement" at:

<https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-70663.html>.

3 Ibid.

4 See "Action 6, Prevention of tax treaty abuse" at: <https://www.oecd.org/tax/beps/beps-actions/action6/>.

5 See "Convention on Mutual Administrative Assistance in Tax Matters" at: <https://www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm> .

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Contact us

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