



BRAZIL AND SWITZERLAND SIGN DOUBLE TAX TREATY (DTT)

Brazil and Switzerland signed a Double Tax Treaty (DTT) on May 03, 2018. The treaty was signed in Brasilia by the secretary of the Brazilian Federal Revenue Department, Mr Jorge Rachid, and the Swiss ambassador in Brazil, Mr Andrea Semadeni.

The main objective of the DTT is to define limits and competences of the contracting countries on the taxation of interest, capital, dividends, services, royalties, etc. and minimizing or eliminating double taxation on cross border operations, respectively defining how the taxes are split between the countries in any given operation.

The DTT under discussion follows the latest OECD standards, including Base Erosion and Profit Shifting (BEPS) dispositions and anti-abuse rules.

The signature of the DTT is an important step for both countries and long awaited by the private sector. Switzerland is the sixth biggest investor in Brazil, with USD 22 billion invested according to data from 2016.

Brazil has a relatively small and old DTT network comprising of 34 countries (17 in Europe). Several treaties are not in line with the latest standards and are therefore generating uncertainty about their application and disputes from time to time.

With the new and modern DTT, investment between the countries is expected to improve greatly. The signature of the DTT will provide more confidence in the tax treatment and limit taxation, creating a more favourable environment.

It has been a continuous collaboration between Brazil and Switzerland on tax matters lately. On November 23, 2015 an agreement for exchange of information on tax matters was signed. Almost one year later, on November 18, 2016 a joint declaration for the automatic exchange of information was agreed.

The final text of the DTT needs approval from the Brazilian Congress and the Swiss Parliament before entering into force.

For questions or queries, please contact the author.



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