



BDO Seidman, LLP
Accountants and Consultants

January 2005

Subject:
**Switzerland Reduces
Withholding Tax On Cross-
Border, Intragroup Dividends**

International Tax Alert

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FOR MORE INFORMATION
Please contact:

Jack Frame
330 Madison Ave
New York, NY 10017
Phone: 212-885-8125
Fax: 707-982-0633
Email: jframe@bdo.com

Date/Timing:

Effective January 1, 2005

Affecting:

U.S. companies with Swiss subsidiaries, especially Swiss holding companies.

Details:

As part of the negotiating package for its involvement in the EC Savings Agreement, Switzerland is to become a party to the EC Parent/Subsidiary and Interest/Royalty Directives as from July 1, 2005.

As a result, *inter alia*, the normal 35 percent Swiss withholding tax on dividends paid by Swiss companies will be reduced to zero when paid to qualifying EU companies. And in the opposite direction, a 0 percent withholding rate will apply to dividends paid by EU companies to their Swiss parent.

This places Switzerland in a much more attractive position than previously as a European holding company.

In addition, Swiss companies may now pay dividends at the appropriate 0 percent or tax treaty rate on filing the necessary forms. Until December 31, 2004, the 35 percent withholding tax had to be withheld in full, and a claim made for refund of the excess tax, which was burdensome and had a negative affect on cash-flow.

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