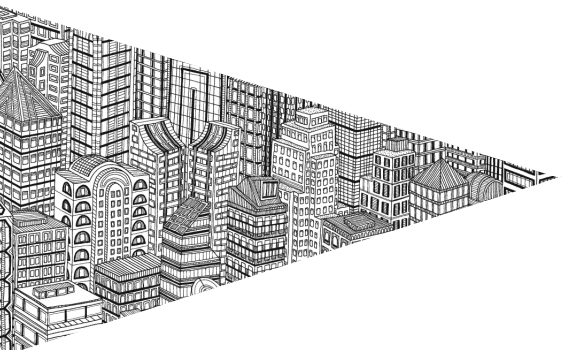


# International Tax Alert



## Argentina unilaterally terminates tax treaty with Switzerland

The Argentine Government has decided to terminate the provisional application of the Treaty for the avoidance of double taxation with respect to taxes on income and on capital, signed with Switzerland and the related Protocols (hereinafter, the Treaty).

As published in the *Official Gazette* on 31 January 2012, the Argentine Government issued on 16 January 2012, a note directed to the Swiss Ambassador in Argentina communicating the Argentine Government's decision to no longer be a party to the Treaty and therefore terminate its application.

According to the text of the note, the Argentine Government's intention appears to be that the termination of the Treaty is effective as of 16 January 2012. However this may be subject to controversy. In practical terms, through the abovementioned note, the application of the Treaty benefits has therefore been discontinued.<sup>1</sup>

In addition, the note clarified that the Agreement for the Avoidance of Double Taxation in relation to Benefits Proceeding from Shipping and Air Transport, which entered into force on 13 January 1950 and which was suspended by paragraph 3 of article 25 of the Treaty, still remains suspended.

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<sup>1</sup> The Treaty was being provisionally applied as from 1 January 2001, as set forth by the Additional Protocol dated 23 November 2000.

Finally, in the abovementioned note, the Argentine government proposed to the Swiss government to enter into an Exchange of information Agreement for tax purposes (following the OECD model) and an Exchange of Information Agreement for customs matters (based on the World Customs Organization model) in order to increase collaboration between the tax and customs authorities of both jurisdictions.

It is important to note that, among the tax treaties signed by Argentina, the Treaty included some of the most beneficial clauses for foreign investors, such as an exemption from net worth tax for Swiss resident investors in Argentine companies, and reduced withholding taxes on royalty and interest payments from Argentine residents to Swiss residents.

Consequently, it is advisable that companies engaged in transactions that may have benefitted from the Treaty provisions to analyze the impact of the termination of the Treaty and evaluate potential courses of action to be taken in order to mitigate the potential consequences of this situation.

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