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Overall positive assessment of the tax agreement between Switzerland and the United Kingdom – Agreement is in the interests of clients – Foundation laid for repositioning of the Swiss financial centre – Protection of financial privacy remains intact for clients who are tax compliant

Basel, 24 August 2011 – The Swiss Bankers Association (SBA) welcomes the finalisation of the tax agreement between Switzerland and the United Kingdom. Overall, the agreement is comparable to the one concluded with Germany. Firstly, the bilateral treaty gives clients of banks in Switzerland who are taxable in the United Kingdom a path to tax compliance while maintaining their financial privacy. The maximum tax rate for regularising the past is 34%. However, the effective tax rate for most clients will be between 20% and 25% of total assets. Secondly, the agreement allows Switzerland as a financial centre to implement its forward strategy and focus in future on acquiring and managing taxed assets. Thirdly, the United Kingdom will receive direct access to the tax base it is due, both past and future, in an unbureaucratic way. Finally, the agreement provides for easier market access in the bilateral relationship and the decriminalisation of banks and their employees – an important basis for future growth in the cross-border business with the United Kingdom.

A positive outcome is the fact that the United Kingdom has unequivocally acknowledged that the final withholding tax for the future is equivalent to the automatic exchange of information in the long term. The agreement also foresees that Swiss banks will make an upfront payment of CHF 500 million in total relating to clients' tax liabilities in order to regularise untaxed assets. This payment is due after the agreement comes into effect and will thereafter be offset against the tax payments made by clients.

The tax agreement does not come without a price tag for the banks, however. The implementation of the measures for all tax agreements will cost the banks in Switzerland a mid-three-digit million Swiss franc amount.

Patrick Odier, Chairman of the SBA, is pleased that Switzerland has now concluded tax agreements with two countries: "Overall, my assessment of the tax agreements is positive. They mark important milestones for the Swiss financial centre. As a banker, I am especially grateful that clients have been offered a fair solution for regularising their assets. As promised, the Swiss banks have abided by their duty of fiduciary responsibility to their longstanding clients."

The SBA now expects that the Federal Council will approve the two agreements without delay and that they will be passed by parliament. This is the only way that the tight deadline for the coming into effect of the agreement – early 2013 – can be met. Switzerland should initiate further negotiations with interested European countries as quickly as possible.

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The SBA expressly thanks the Swiss negotiating delegation for their unwavering commitment and hopes that negotiations will be initiated soon with other European countries.

Media material
A comprehensive Q&A document regarding the finalization of the tax agreement and an explanatory film are available at www.swissbanking.org.

Contact addresses	Thomas Sutter Head of Communications	T +41 61 295 92 06
	Rebeca Garcia Head of Communications Europe	T +41 61 295 92 55
	Sindy Schmiegel Head of Communications UK	T +41 61 295 92 15
Website	www.swissbanking.org http://twitter.com/SwissBankingSBA	