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# AVOIDING DOUBLE TAXATION

## THE NEW BRITISH-SWISS CONVENTION FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME

A new double-taxation Convention entered into force on 7th October, 1978, after having been signed in London on 8th December, 1977, and ratified in Berne on 6th September last. It replaces the Convention of 1954 as amended by two Protocols of 1966 and 1974 respectively.

A main purpose of the revision, from the Swiss point of view, was the granting of tax credit to Swiss parent companies with subsidiaries in the United Kingdom, as explained below. The renegotiation of the Convention enabled the terminology and form to be adapted to the new OECD-model, which also led to a few changes of content, especially with regard to cases of dual residence.

In detail, the new Convention provides that certain trading profits not arising through a permanent establishment, interest, royalties, pensions (other than Government pensions) and the earnings of temporary business visitors are (subject to certain conditions) to be taxed only in the country of the taxpayer's residence. Government salaries and pensions are normally to be taxed by the paying Government only. Payments made for the maintenance of visiting students are subject to certain conditions) to be exempt in the country visited. Provision is made for income from immovable property to be taxed in the country in which the property is situated. Capital gains arising from the disposal of movable property are normally to be taxed only in the country of the taxpayer's residence unless they arise from the disposal of assets of a permanent establishment which the taxpayer has in the other country. Shipping and air transport profits are to be taxed only in the country in which the place of effective management is situated.

The Dividends Article provides rules which are to apply to the taxation of dividends as long as under United Kingdom law an individual resident in the United Kingdom is entitled to a tax credit in respect of dividends paid by a company resident in the United Kingdom.

Where a United Kingdom company pays a dividend to a Swiss company controlling 10 per cent or more of its voting power, the Swiss company receiving the dividends will be entitled to a tax credit equal to one half of the tax credit which would be payable to a United Kingdom resident individual less a sum of not more than 5 per cent of the aggregate

amount of the dividend and the tax credit. Where the recipient is an individual resident in Switzerland, or a Swiss company controlling less than 10 per cent of the voting power of the United Kingdom company, the tax credit payable will be equal to the tax credit which would be payable to a United Kingdom resident less a sum not exceeding 15 per cent of the aggregate amount of the dividend and tax credit. The rate of Swiss withholding tax on dividends paid to a United Kingdom company controlling at least 25 per cent of the voting power of a Swiss paying company will be limited to a maximum of 5 per cent. In all other cases the Swiss withholding tax will be not more than 15 per cent.

Where income continues to be taxable in both countries, relief from double taxation is to be given by the

country of the taxpayer's residence. There are also provisions safeguarding nationals and enterprises of one country against discriminatory taxation in the other country and for the exchange of information and for consultation between the taxation authorities of the two countries.

The Convention is, generally, to take effect in the United Kingdom for the year of assessment or financial year beginning in 1978 but the provisions for the payment of the half tax credit are to take effect for any dividend paid on or after 6th April, 1975.

For clarification and more detailed information readers are advised to consult the full text of the Convention (obtainable at Her Majesty's Stationery Office) or to apply to the competent tax authorities.

## SWITZERLAND IN BRITAIN'S CULTURAL LIFE

To 6th January — Chapter Gallery, Cardiff — Another World, paintings by *Wölfli, Aloïse and Müller*.

22nd December; 26th December; 30th December; 1st January — Royal Opera House, Covent Garden, 7 p.m. (26th December 2 p.m.; 30th December 7.30 p.m.) — *Leopold Lindtberg's* production of *Die Fledermous*.

Tuesday, 26th December to Saturday, 13th January — Royal Festival Hall, 3.00 and 7.30 p.m. (no mat. 8th to 12th January) — *Manola Asensio* is one of the principals in *The Nutcracker*, presented by the London Festival Ballet.

Wednesday, 27th to Friday, 29th December — Queen Elizabeth Hall,

7.45 p.m. — Concerts by the *Camerata Lysy Gstaad* (soloists: Yehudi Menuhin, Alberto Lysy).

? January — Bishopsgate Hall (opposite Liverpool Street Station), 1 p.m. — Recital by *Die Kammermusiker Zürich* (leader: *Brenton Langbein*).

Wednesday, 17th and Thursday, 18th January — French Institute, Queensberry Place, S.W.7, 7.30 p.m. — Mime performances by *Amiel*.

Saturday, 20th and Sunday, 21st January — Musical Weekend at the Lygon Arms, Broadway: The pianist *Tamas Vasary* plays works by Mozart, Debussy and Chopin.

## WE WELCOME A NEWCOMER

GruppenReisen AG, trading as Sunset Tours, are pleased to announce the opening of their new UK offices at Royal London House, 171 High Street, Beckenham, Kent. The telephone number is (01)-650 5904/5.

Although GruppenReisen's head offices are in Zürich, this long established company also has a branch in Basle. They were the first tour operators to organise jumbo jet charters with BOAC (now British Airways) from Switzerland to London. Their current programme includes European City Flights featuring London, Athens, Budapest, Istanbul, Madrid, Rome and Vienna.

Other specialities are Malta and Egypt and a special City of London programme — a study tour of City

financial institutions for business executives under the direction of the former Consul-General for Switzerland Patrick D. Stobart, CBE, MA.

Sunset Tours will be responsible for handling GruppenReisen's incoming traffic and will, as holder of ATOL 877B, be promoting their own winter holidays under the slogan "Swiss quality, Swiss service" to the destinations mentioned above plus Geneva, Zürich, Berne and Basle. Ski-ing holidays at the Bernese Oberland resort of Meiringen are also available.

The branch manager is Miss Denise Rossel who has 10 years' international travel experience with ESCO Reisen, Hotelplan and, latterly, GruppenReisen.