GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
**RAJYA SABHA**
**UNSTARRED QUESTION NO-1023**
ANSWERED ON- 29/07/2025

**INDIA-SWITZERLAND DTAA**

1023. SHRI A. D. SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether Switzerland has decided to withdraw the Most Favoured Nation (MFN) clause under the India-Switzerland Double Taxation Avoidance Agreement, from January 1, 2025;

(b) if so, Government's assessment of the potential impact on Indian businesses and investors operating in or receiving income from Switzerland;

(c) whether Government has initiated any discussions or negotiations with Swiss authorities to address the implications of this withdrawal and to seek a mutually agreeable resolution; and

(d) the measures being considered to mitigate adverse effects on Indian stakeholders and to ensure equitable treatment under international tax agreements?

**ANSWER**

THE MINISTER OF STATE FOR FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) The India-Switzerland Double Taxation Avoidance Agreement (DTAA) provides for source country taxation of dividends at 10%. On 13 August, 2021, the Government of Switzerland had issued a Statement unilaterally applying an interpretation of paragraph 5 of the Protocol of the India-Swiss DTAA, which is also referred to as MFN clause, in a manner that was not shared by the Government of India. This Statement, pertaining only to rate of taxation of dividend income, reduced the rate of source country taxation of dividend in Switzerland to 5% instead of the rate of 10% agreed by both countries in the DTAA. This had the effect of reducing the rate of source taxation in Switzerland of dividend received by Indian companies from Switzerland as well as reducing the double taxation relief provided by Switzerland to Swiss companies on dividend received from India and taxed in India to 5% instead of 10% agreed in the DTAA.

On 11 December, 2024, Switzerland withdrew this unilateral Statement through another Statement, which is titled "Suspension of the application of the most favoured nation clause of the protocol to the Agreement between the Swiss Confederation and the Republic of India for the avoidance of double taxation with respect to taxes on income", thereby restoring the tax rate on dividend in the source country to 10% as agreed by both countries in the DTAA. As a result of this withdrawal of the August 2021 unilateral Statement, the rate of source taxation in Switzerland of dividend received by Indian companies from Switzerland as well as the double taxation relief provided by Switzerland to Swiss companies on dividend received from India has been restored to the rate of 10%, as agreed by both countries in the DTAA, with effect from 1 January, 2025. The Swiss Statement takes into account the decision of the Hon'ble Supreme Court of India dated October 19, 2023, in the case of M/s Nestle SA, on the interpretation of the MFN clause.

(b) The unilateral Statement issued by the Government of Switzerland on 13 August, 2021 reduced the rate of tax in Switzerland on dividends paid by Swiss companies to Indian investors to 5% instead of 10% as agreed in the DTAA, and accordingly the tax credits that such investors were eligible to receive in India were also reduced to 5% instead of 10%. Subsequent to the reversal of unilateral Statement by the Government of Switzerland by its Statement on 11 December, 2024, which it refers to as the suspension of the application of the MFN clause, the rate of tax in Switzerland on dividends paid by Swiss companies to Indian investors is restored to 10% as agreed in the DTAA. Consequently, such investors are now eligible to receive 10% tax credit in India, thereby leading to full relief from double taxation, as intended in the DTAA. As a result, they are not expected to face any additional tax burden.

(c) & (d) The reversal of unilateral Statement by the Government of Switzerland by its Statement on 11 December, 2024, which it refers to as the suspension of the application of the MFN clause, merely restores the rate of taxation of dividend to 10%, which was agreed in DTAA, and is in accordance with the position of India as well as the decision of the Hon'ble Supreme Court of India dated October 19, 2023, in the case of M/s Nestle SA, on the interpretation of the MFN clause. This is not expected to result in any additional tax burden for Indian investors receiving dividend income from Switzerland, but would lead to relief from double taxation being faced by Swiss investors receiving dividend income from India, where they were taxed at 10%, of which only 5% was being relieved by Switzerland prior to 11 December, 2024, instead of 10% agreed under the DTAA. Such investors have become eligible to receive full 10% tax credit from Switzerland with effect from January 1, 2025, thereby leading to full relief from double taxation. This is expected to incentivize more investments from Switzerland to India. Accordingly, no further negotiation with Swiss Authorities is being undertaken or contemplated on this issue, at this stage.

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