



T h e S w i s s G u a r d S o l u t i o n <sup>TM</sup>

## Exemption from excise tax for Swiss annuities

Information for American Investors

**On December 19, 1997, the US Congress ratified a protocol amending the existing tax treaty between the US and Switzerland. The legal information we provide below gives more details. All efforts have been made to ensure that it is accurate at the date of its publication. It does not constitute investment, legal, tax or other advice, nor is it to be relied upon in making an investment decision. We advise our clients to seek the services of their legal advisors.**

The protocol eliminates the 1% excise tax on annuities purchased after the date of ratification. You will need to complete a Form 8849 and attach Schedule 6, as well as enclose a copy of the Form 720 you filed and your cancelled check (front and back). Send the signed and completed forms with enclosures to the IRS at the address under "Where to File" in the Form 8849 instructions.

The following excerpts are from the Protocol of the Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income.

### Article 8 on Business Profits states:

The United States tax on insurance premiums paid to foreign insurers shall not be imposed on insurance or reinsurance premiums which are the receipts of a business of insurance carried on by an enterprise of Switzerland, whether or not that business is carried on through a permanent establishment in the United States, except to the extent that the risks covered by such premiums are reinsured with a person not entitled to the benefits of this or any other Convention which provides similar exemption from US tax.

### Article 2 on Taxes Covered states:

The existing taxes to which the Convention shall apply are:

- a) in Switzerland: the federal, cantonal and communal taxes on income (total income, earned income, income from property, business profits, etc.).
- b) in the United States, the Federal income taxes imposed by the Internal Revenue Code and the excise taxes imposed on the insurance premium paid to foreign insurers and with respect to private foundations.