



LET'S TALK ABOUT...

FINANCIAL LEXICON EDITED BY THE SWISS ASSOCIATION OF ASSET MANAGERS

Rubik model

The model, which was initially conceived by the Swiss Banking Association and the Association of Foreign Banks in Switzerland, may be viewed as a development of the previous Eurotax agreement between Switzerland and the European Union. However the Rubik model is marked by major innovations and extensions: it is a system of direct tax deductions not just on returns but also on deposited assets. Actually, according with the terms of the first treaties with Germany and the United Kingdom, a heavy fiscal deduction on the foreign client's account, depending how long it has been opened, and a tax on revenues which is more or less in line with the tax level of the client's country. This way the assets held in Switzerland become "regularized" in fiscal terms and the client is subject to no other accomplishment. On the other hand the banking secret, that is the confidentiality about the holder's – or the beneficial owner's – names is protected. The Swiss bank automatically collects the tax amount, gives it to the Swiss administration, which then transfers to the different national tax agencies, in a consolidated and anonymous form. Among the major differences compared to the previous Eurotax regulation: the retroactive levy on capital and the extension of the returns in scope: not just interests and some types of bond coupons, but all kinds of incomes and capital gains, on all securities, mutual funds,...; last, the application not only to personal accounts, but also the ones held by offshore companies, trusts, foundations and all entities with no real commercial operations. Swiss financial institutions guarantee the payments with their cautions and they expect to be allowed to freely carry on their cross-border operations.

The pioneers along such path have been the United Kingdom and Germany, which are two important areas for the Swiss financial industry. Other bilateral agreement may likely follow, with other European as well as overseas countries. Much more difficult is the position of Italy: Rome dislikes the terms of such agreements because it strongly supports the principle of the automatic transfer of data for the capitals held abroad by its citizens; moreover, under the pressure of its domestic banking lobby, it is not so much in favour of opening its market to the Swiss financial competitors. - *GLT*

The views expressed are not necessarily those of the Swiss Association of Asset Managers