

# IRS News Release

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## **US, Swiss Competent Authorities Provide Guidance on Treaty Benefits**

IR-2003-103, Aug. 22, 2003

WASHINGTON — The U.S. and Swiss competent authorities concluded an agreement on August 20, 2003 regarding the Limitation on Benefits Article of the income tax treaty and accompanying Revised Memorandum of Understanding between the United States and the Swiss Confederation. The agreement provides guidance regarding application of the “derivative benefits” provisions of Article 22(3) of the treaty and paragraph 7 of the Revised MOU, under which a Swiss company may be entitled to treaty benefits based, in part, on the residence of its ultimate beneficial owners.

The agreement provides that certain categories of U.S. residents will be taken into account for purposes of the derivative benefits ownership tests of Article 22(3) and paragraph 7. The qualifying categories of U.S. residents are: individuals who are residents of the United States (as determined under Article 4 of the Treaty); the United States; political subdivisions of the United States; instrumentalities of the United States or a political subdivision thereof; and companies incorporated in the United States whose principal class of shares is primarily and regularly traded on a recognized stock exchange.

To view the text of the U.S.-Swiss Competent Authority Agreement, go to [www.irs.gov](http://www.irs.gov) and click on “Business” in the “Contents” area, then choose “International Business.”