

No. 14024

**SWEDEN
and
SWITZERLAND**

Convention for the avoidance of double taxation with respect to taxes on income and capital. Signed at Stockholm on 7 May 1965

Authentic texts: Swedish and German.

Registered by Sweden on 20 May 1975.

**SUÈDE
et
SUISSE**

Convention tendant à éviter la double imposition en matière d'impôts sur le revenu et d'impôts sur la fortune. Signée à Stockholm le 7 mai 1965

Textes authentiques : suédois et allemand.

Enregistrée par la Suède le 20 mai 1975.

[TRANSLATION — TRADUCTION]

CONVENTION¹ BETWEEN THE GOVERNMENT OF THE KINGDOM OF SWEDEN AND THE SWISS FEDERAL COUNCIL FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND CAPITAL

The Government of the Kingdom of Sweden and the Swiss Federal Council,
Desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income and capital,

Have for that purpose appointed as their Plenipotentiaries:

The Government of the Kingdom of Sweden: Torsten Nilsson, Minister for Foreign Affairs,

The Swiss Federal Council: Egbert von Graffenried, Ambassador of the Swiss Confederation at Stockholm,

who, having exchanged their full powers, found in good and due form, have agreed as follows:

CHAPTER I. SCOPE OF THE CONVENTION

Article 1. PERSONAL SCOPE

This Convention shall apply to persons who are residents of one or both of the Contracting States.

Article 2. TAXES TO WHICH THE CONVENTION APPLIES

1. This Convention shall apply to taxes on income and capital levied on behalf of either Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

2. The term "taxes on income and capital" shall be deemed to mean all ordinary and extraordinary taxes imposed on total income, on total capital, or on elements of income or capital, including taxes on profits derived from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, and taxes on capital appreciation.

3. The existing taxes to which the Convention shall apply are, in particular:

(a) In the case of Sweden:

- (1) The State income tax, including the sailors' tax and the coupon tax (*den statliga inkomstskatten, sjömansskatten och kupongskatten däri inbegripna*);
- (2) The tax on public entertainers (*bevillnings-avgifterna för särskilda förmåner och rättigheter*);
- (3) The company tax on undistributed profits (*ersättningsskatten*) and on distributions in the case of reduction of capital (*utskiftningsskatten*);
- (4) The communal income tax (*den kommunala inkomstskatten*);

¹ Came into force on 6 June 1966 by the exchange of the instruments of ratification, which took place at Bern, in accordance with article 29 (1) and (2).

- (5) The State capital tax (*den statliga förmögenhetsskatten*); (hereinafter referred to as “Swedish tax”);
- (b) In the case of Switzerland: The Federal cantonal and communal taxes
- (1) On income (total income, earned income, income from capital industrial and commercial profits, capital gains, etc.), and
 - (2) On capital (net worth, movable and immovable property, business assets, capital and reserves, etc.) (hereinafter referred to as “Swiss tax”).
4. The Convention shall not apply:
- (a) In the case of Sweden: to the special taxes on winnings from lotteries and wagers;
- (b) In the case of Switzerland: to the Federal anticipatory tax, withheld at source from lottery winnings.
5. The Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes. At the end of each year, the competent authorities of the Contracting States shall notify to each other any changes which have been made in their respective taxation laws.

CHAPTER II. DEFINITIONS

Article 3. GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:
 - (a) The terms “one of the Contracting States” and “the other Contracting State” mean Sweden or Switzerland, as the context requires;
 - (b) The term “person” includes individuals, companies and all other associations;
 - (c) The term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;
 - (d) The terms “enterprise of one of the Contracting States” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of one of the Contracting States and an enterprise carried on by a resident of the other Contracting State;
 - (e) The term “competent authority” means:
 - (1) In the case of Sweden: the Minister of Finance or his authorized representative;
 - (2) In the case of Switzerland: the Director of the Federal Tax Administration or his authorized representative.
2. In the application of the Convention by one of the Contracting States, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that State relating to the taxes which are the subject of the Convention.

Article 4. FISCAL DOMICILE

1. For the purposes of this Convention, the term “resident of one of the Contracting States” means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other similar criterion.
2. Where, under the provisions of paragraph 1, an individual is a resident of both Contracting States, the following shall apply:

- (a) He shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closest (centre of vital interests);
- (b) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he does not have a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;
- (c) If he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;
- (d) If he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by agreement between them.

3. Where, under the provisions of paragraph 1, a person other than an individual is a resident of both Contracting States, it shall be deemed to be a resident of the Contracting State in which its place of actual management is situated. The same shall apply to partnerships established or organized under the law of one of the Contracting States.

4. For individuals who have permanently transferred their domicile from one of the Contracting States to the other, tax liability shall, in so far as it depends on domicile, expire in the first-mentioned State at the end of the day on which the transfer of domicile was effected.

Article 5. PERMANENT ESTABLISHMENT

1. For the purposes of this Convention, the term “permanent establishment” means a fixed place of business in which the activity of the enterprise is wholly or partly carried on.

2. The term “permanent establishment” shall include in particular:

- (a) A place of management;
- (b) A branch;
- (c) An office;
- (d) A factory;
- (e) A workshop;
- (f) A mine, quarry or other place of extraction of natural resources;
- (g) A building site or construction or assembly project which exists for more than twelve months.

3. The term “permanent establishment” shall not be deemed to include:

- (a) Facilities used solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) Stocks of goods or merchandise belonging to the enterprise which are maintained solely for the purpose of storage, display or delivery;
- (c) Stocks of goods or merchandise belonging to the enterprise which are maintained solely for the purpose of processing by another enterprise;
- (d) A fixed place of business which is maintained solely for the purpose of purchasing goods or merchandise or collecting information for the enterprise.

4. A person — other than an agent of independent status within the meaning of paragraph 5 — acting in one of the Contracting States on behalf of an enterprise of the other Contracting State shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

5. An enterprise of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in the other State through a broker, general commission agent or any other agent of independent status, where such person is acting in the ordinary course of his business.

6. The mere fact that a company which is a resident of one of the Contracting States controls, or is controlled by a company which is a resident of the other Contracting State, or which carries on business in the other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

CHAPTER III. TAXATION OF INCOME

Article 6. INCOME FROM IMMOVABLE PROPERTY

1. Income from immovable property shall be taxable in the Contracting State in which the property is situated.

2. The term “immovable property” shall be defined in accordance with the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment of agricultural and forestry enterprises, rights to which the provisions of private law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, springs and other natural resources; ships and aircraft shall not be deemed to be immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to income from immovable property belonging to enterprises and to income from immovable property used in the exercise of a profession.

Article 7. BUSINESS PROFITS

1. The profits of an enterprise of one of the Contracting States shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise shall be taxable in the other State but only so much of them as is attributable to the permanent establishment.

2. Where an enterprise of one of the Contracting States carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing quite independently with the enterprise of which it is a permanent establishment.

3. In the determination of the profits of a permanent establishment, there shall be allowed as deductions all expenses which are incurred for the purposes of

the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4. Nothing in paragraph 2 shall preclude one of the Contracting States from determining the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts after a previous allocation of not more than 10 per cent to the head office of the enterprise; the method of apportionment adopted shall, however, be such that the result is in accordance with the principles laid down in this article.

5. Where an insurance enterprise of one of the Contracting States carries on business in the other Contracting State through a permanent establishment situated therein, the profits attributable to the permanent establishment shall be determined in such a manner that the total profits of the enterprise are apportioned according to the ratio between the gross premium receipts of the permanent establishment and the total gross premium receipts of the enterprise.

6. No profits shall be attributed to a permanent establishment by reason of the mere purchase by the permanent establishment of goods or merchandise for the enterprise.

7. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to proceed otherwise.

8. Where profits include items of income which are dealt with in other articles of this Convention, the provisions of those articles shall not be affected by the provisions of this article.

Article 8. SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of actual management of the enterprise is situated.

2. The provisions of paragraph 1 shall also apply to profits derived from participation in a pool, a joint operating organization or an international operating agency.

Article 9. ASSOCIATED ENTERPRISES

Where

- (a) An enterprise of one of the Contracting States participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) The same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting States and an enterprise of the other Contracting State,

and in either case conditions are arranged or imposed between the two enterprises in their commercial or financial relations which differ from those which would be arranged between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises but, by reason of those conditions, have not so accrued may be included in the profits of that enterprise and taxed accordingly.

Article 10. DIVIDENDS

1. Dividends paid by a company which is a resident of one of the Contracting States to a resident of the other Contracting State shall be taxable in the other State.

2. Such dividends may, however, be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law of that State, but the tax so charged shall not exceed 5 per cent to the gross amount of the dividends.

The competent authorities of the Contracting States shall regulate by agreement between them the mode of application of this limitation.

This paragraph shall not affect taxation of the company in respect of the profits out of which the dividends are paid.

3. The term “dividends” as used in this article means income from shares, “*jouissance*” shares or “*jouissance*” rights, mining shares, founders’ shares or other rights — other than debt-claims — participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation law of the State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the dividends, being a resident of one of the Contracting States, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is actually connected. In such cases, the provisions of article 7 shall apply.

5. Where a company which is a resident of one of the Contracting States receives profits or income from the other Contracting State, the other State may not impose tax on dividends paid by the company to persons who are not residents of that State, or subject the company’s profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

Article 11. INTEREST

1. Interest arising in one of the Contracting States and paid to a resident of the other Contracting State shall be taxable in the other State.

2. Such interest may, however, be taxed in the Contracting State in which it arises, and according to the law of that State, but the tax so charged shall not exceed 5 per cent of the amount of the interest. The competent authorities of the Contracting States shall regulate by agreement between them the mode of application of this limitation.

3. The term “interest” as used in this article means income from Government securities, from bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and from debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the interest, being a resident of one of the Contracting States, has in the other Contracting State, in which the interest arises, a permanent establishment with which the debt-claim from which the interest arises is actually connected. In such cases, the provisions of article 7 shall apply.

5. Interest shall be deemed to arise in one of the Contracting States when the payer is that State itself or a political subdivision, local authority or resident of that State. Where, however, the person paying the interest, whether or not he is a resident of one of the Contracting States, has in one of the Contracting States a permanent establishment for the purposes of which the indebtedness on which the interest is paid was incurred, and the interest is charged to such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

6. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the interest paid, having regard to the debt-claim on which it is paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall be taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 12. ROYALTIES

1. Royalties arising in one of the Contracting States and paid to a resident of the other Contracting State shall be taxable only in the other State.

2. The term "royalties" as used in this article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematograph films, or any patent, trade mark, design or model, plan, secret formula or process, for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 shall not apply if the recipient of the royalties, being a resident of one of the Contracting States, has in the other Contracting State, in which the royalties arise, a permanent establishment with which the right or property giving rise to the royalties is actually connected. In such cases, the provisions of article 7 shall apply.

4. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall be taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13. CAPITAL GAINS

1. Profits from the alienation of immovable property, as defined in article 6, paragraph 2, shall be taxable in the Contracting State in which the property is situated.

2. Profits from the alienation of movable property forming part of the business assets of a permanent establishment maintained by an enterprise of one of the Contracting States in the other Contracting State or of movable property connected with a fixed base available to a resident of one of the Contracting States in the other Contracting State for the purpose of exercising a profession, including profits from the alienation of such a permanent establishment (separately or together with the entire enterprise) or fixed base, shall be taxable in the other State. However, profits from the alienation of movable property of the kind referred to in article 24, paragraph 3, shall be taxable only in the Contracting State in which such movable property is taxable under the provisions of the said article.

3. Profits from the alienation of any property other than that referred to in paragraphs 1 and 2 shall be taxable only in the Contracting State of which the alienor is a resident.

Article 14. UNDIVIDED ESTATES; PARTNERSHIPS

1. The provisions of the law of one of the Contracting States relating to the taxation of the undivided estates of deceased persons shall be inapplicable to the extent that the heir is liable under the provisions of this Convention to taxation by the other Contracting State in respect of the income or property derived from the succession.

2. Where, under the provisions of the Convention, a partnership is, as a resident of Switzerland, entitled to exemption from or reduction of Swedish tax, this shall not preclude Sweden from taxing any member of the partnership who, under Swedish taxation law, is deemed to be a resident of Sweden; in such cases, the provisions of article 25, paragraph 1, shall apply.

Article 15. INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of one of the Contracting States from the exercise of a profession or from other independent activities of a similar nature shall be taxable only in that State unless the person in question has a fixed base regularly available to him in the other Contracting State for the exercise of his activities. If he has such a fixed base, the income shall be taxable in the other State but only so much of it as is attributable to the fixed base.

2. The term "profession" refers, in particular, to independent activities of a scientific, literary, artistic, educational or pedagogic nature and to the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 16. DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of articles 17, 19 and 20, salaries, wages and similar remuneration received by a resident of one of the Contracting States in respect of employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom shall be taxable in the other State.

2. Notwithstanding the provisions of paragraph 1, remuneration received by a resident of one of the Contracting States in respect of employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- (a) The recipient is present in the other State for a total of not more than 183 days during the fiscal year concerned;
- (b) The remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
- (c) The remuneration is not charged to a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the foregoing provisions of this article, remuneration in respect of employment exercised on board a ship or aircraft in international traffic shall be taxable in the Contracting State in which the place of actual management of the enterprise is situated.

Article 17. DIRECTORS' FEES

Directors' fees and similar payments received by a resident of one of the Contracting States in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State shall be taxable in the other State.

Article 18. ENTERTAINERS AND ATHLETES

Notwithstanding the provisions of articles 15 and 16, income derived by public entertainers, such as theatre, motion picture, radio or television performers and

musicians, and by athletes from their personal activities as such shall be taxable in the Contracting State in which they engage in these activities. The same shall apply notwithstanding the provisions of article 7, where the income accrues to a person who employs the entertainers or athletes.

Article 19. PENSIONS

1. Subject to the provisions of article 20, pensions and similar remuneration paid to a resident of one of the Contracting States in consideration of past employment shall be taxable only in that State.

2. Notwithstanding the provisions of paragraph 1, Sweden may tax pensions paid under the Swedish social security scheme to a resident of Switzerland; in such cases, the provisions of article 25, paragraph 4, shall apply.

Article 20. REMUNERATION PAID BY THE STATE

Remuneration, including pensions, paid directly by, or out of funds created by one of the Contracting States or a political subdivision, local authority or public-law corporation thereof to any individual having the nationality of that Contracting State, in respect of present or past services, shall be taxable only in the Contracting State from which the remuneration is received.

Article 21. ANNUITIES

1. Any annuity derived from sources within one of the Contracting States and paid to a resident of the other Contracting State shall be taxable only in the other State.

2. The term "annuity" means a stated sum payable periodically at stated times, for life or for a specified or ascertainable period, in return for adequate and full consideration in money or money's worth.

Article 22. STUDENTS

1. Payments which a student, business apprentice or trainee who is or was formerly a resident of one of the Contracting States and who is present in the other Contracting State solely for the purpose of education or training receives for his maintenance, education or training shall not be taxed in the other State, provided that such payments are made to him from sources outside that State.

2. A student at a university or other institution of higher learning in one of the Contracting States who for a period not exceeding 100 days in any fiscal year carries on an activity in the other Contracting State for the purpose of receiving practical training in connexion with his studies shall not be taxed in the other State in respect of the remuneration received for such activity.

Article 23. INCOME NOT SPECIFICALLY REFERRED TO

Items of income of a resident of one of the Contracting States which are not specifically referred to in the preceding articles of this Convention shall be taxable only in that State.

CHAPTER IV. TAXATION OF CAPITAL

Article 24

1. Immovable property, as defined in article 6, paragraph 2, shall be taxable in the Contracting State in which it is situated.

2. Movable property forming part of the business assets of a permanent establishment maintained by an enterprise or connected with a fixed base used for the ex-

ercise of a profession shall be taxable in the Contracting State in which the permanent establishment or fixed base is situated.

3. Ships and aircraft operated in international traffic, and movable property used in the operation of such ships and aircraft, shall be taxable only in the Contracting State in which the place of actual management of the enterprise is situated.

4. All other elements of capital belonging to a resident of one of the Contracting States shall be taxable only in that State.

CHAPTER V. METHODS OF AVOIDING DOUBLE TAXATION

Article 25

1. Where a resident of Sweden receives income or owns capital which, under the provisions of this Convention, is taxable in Switzerland, Sweden shall allow:

- (a) As a deduction from the tax on such person's income an amount equal to the income tax paid in Switzerland;
- (b) As a deduction from the tax on such person's capital, an amount equal to the capital tax paid in Switzerland.

Where a resident of Sweden receives income which, under the provisions of article 20, is taxable only in Switzerland, Sweden shall exempt such income from tax; Sweden may, however, in calculating the tax on the remaining income of such person, apply the rate of tax which would be applicable if the income in question were not exempt from tax.

2. An individual resident in Switzerland who, under Swedish law, is deemed to be a resident of Sweden for purposes of the Swedish taxes referred to in article 2 of the Convention shall, notwithstanding other provisions of this Convention, be taxable in Sweden; Sweden shall, however, allow as a deduction from its taxes an amount equal to all taxes on income or capital paid in Switzerland in accordance with the provisions of paragraph 1.

It is understood that this paragraph shall apply only to Swedish nationals who have moved from Sweden within the past three years and that it shall in no case apply to Swiss nationals.

3. The deduction shall in no case, however, exceed that part of the Swedish tax on income or capital as computed before the deduction is allowed which corresponds to the income or capital taxable in Switzerland.

4. Where a resident of Switzerland receives pensions which are taxable in Sweden under the provisions of article 19, paragraph 2, Sweden shall allow as a deduction from the tax on such person's income an amount equal to the income tax paid in Switzerland on the pensions. The deduction shall not, however, exceed that part of the Swedish income tax which corresponds to the pensions.

5. Notwithstanding the provisions of paragraph 1 of this article, dividends paid by a company resident in Switzerland to a company resident in Sweden shall be exempt from Swedish tax in cases where the dividends would be exempt from Swedish tax under Swedish law, if both companies were residents of Sweden. This provision shall, however, apply only if a substantial part of the profits of the company paying the dividends is derived, directly or indirectly, from commercial or industrial activities other than the administration of securities or similar movable capital and if such activities are carried on in Switzerland by the company paying the dividends or by a company at least 25 per cent of whose voting shares are owned by the first-mentioned company.

6. Where a resident of Switzerland receives income or owns capital which, under the provisions of the Convention (with the exception of paragraph 2 of this article), is taxable in Sweden, Switzerland shall exempt such income (with the exception of income of the kind referred to in articles 10 and 11) or capital from tax; Switzerland may, however, in calculating the tax on the remaining income or capital of such person, apply the rate of tax which would be applicable if the income or capital in question were not exempt from tax.

7. Where a resident of Switzerland receives income which, under the provisions of articles 10 and 11 is taxable in Sweden, Switzerland shall, on application, grant such person relief from tax. This relief shall consist of:

- (a) A deduction from the Swiss tax on such person's income equal to the tax levied in Sweden under the provisions of articles 10 and 11, such deduction not, however, exceeding that part of the Swiss tax, as computed before the deduction is allowed, which corresponds to the income taxed in Sweden;
- (b) A lump-sum reduction of the Swiss tax; or
- (c) A partial exemption of the income in question from Swiss tax; however, the relief shall at the very least consist in deducting the tax levied in Sweden from the gross amount of the income received from Sweden.

Switzerland shall determine the type of relief and the appropriate procedure in accordance with the provisions concerning the application of international agreements entered into by the Confederation for the avoidance of double taxation.

CHAPTER VI. SPECIAL PROVISIONS

Article 26. EQUAL TREATMENT

1. Nationals of one of the Contracting States shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of the other State are or may be subjected under like conditions.

2. The term "nationals" means:

- (a) All individuals possessing the nationality of one of the Contracting States;
- (b) All bodies corporate, partnerships and other associations constituted under the law in force in one of the Contracting States.

3. A permanent establishment maintained in one of the Contracting States by an enterprise of the other Contracting State shall not be subjected in the first-mentioned State to taxation which is less favourable than that to which enterprises of that State carrying on the same activities are subjected.

This provision shall not be so construed as to require one of the Contracting States to grant residents of the other Contracting State tax allowances, reliefs and reductions on account of personal status or family responsibilities which it grants to its own residents.

4. Enterprises of one of the Contracting States whose capital is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

5. For the purposes of this article, the term "taxation" means taxes of any kind or description.

Article 27. PROCEDURE FOR REACHING AGREEMENT

1. Where a resident of one of the Contracting States believes that the action of one or both of the Contracting States has resulted or will result in his case in taxation inconsistent with this Convention, he shall be entitled without prejudice to such legal remedies as may be available under the domestic law of either State, to submit his case to the competent authority of the Contracting State of which he is a resident.

2. If such competent authority considers the objection to be justified and if it is not itself able to arrive at a satisfactory solution, it shall endeavour to settle the case by agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation inconsistent with the Convention.

3. The competent authorities of the Contracting States shall endeavour to resolve by agreement any difficulties or doubts arising in the interpretation or application of the Convention. They may also reach agreement on means of avoiding double taxation in cases not provided for in the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly with a view to reaching agreement within the meaning of the preceding paragraphs. Where it appears that agreement would be assisted by an oral exchange of opinions, such an exchange may be effected through a commission consisting of representatives of the competent authorities of the Contracting States.

Article 28. DIPLOMATIC AND CONSULAR OFFICIALS

1. This Convention shall not affect the tax privileges of diplomatic and consular officials under the general rules of international law or under the provisions of special agreements.

2. Where, owing to tax privileges to which diplomatic and consular officials are entitled under the general rules of international law or under the provisions of special international treaties, income or capital is not taxed in the receiving State, the right of taxation shall be reserved to the sending State.

3. For purposes of the application of the Convention, members of a diplomatic or consular mission of one of the Contracting States in the other Contracting State or in a third State who are nationals of the sending State shall be deemed to be residents of the sending State if they are subject therein to the same liability with respect to taxes on income and capital as residents of that State.

4. The Convention shall not apply to international organizations, to the organs or officials thereof or to members of a diplomatic or consular mission of a third State who although present in one of the Contracting States, are not treated as residents in either Contracting State for the purposes of taxes on income and capital.

CHAPTER VII. FINAL PROVISIONS

Article 29. ENTRY INTO FORCE

1. This Convention shall be ratified:

- in the case of Sweden, by His Majesty the King of Sweden with the consent of Parliament, and
- in the case of Switzerland, by the Federal Council upon approval by the Federal Assembly.

The instruments of ratification shall be exchanged at Berne as soon as possible.

2. This Convention shall enter into force upon the exchange of the instruments of ratification, and its provisions shall apply:

- (a) In Sweden: As regards income tax, to income received on or after 1 January 1966, and as regards the State capital tax to the tax assessed in 1967 and subsequent years;
- (b) In Switzerland: To each fiscal year, beginning on or after 1 January 1967.

3. The Convention between the Kingdom of Sweden and the Swiss Confederation for the avoidance of double taxation with respect to taxes on income and certain other direct taxes, signed at Stockholm on 16 October 1948¹, is abrogated and shall cease to have effect in respect of the taxes to which this Convention applies under the provisions of paragraph 2. The first-mentioned Convention shall, however, remain in force for purposes of the application of the Convention between the Kingdom of Sweden and the Swiss Confederation for the avoidance of double taxation with respect to death duties, signed at Stockholm on 16 October 1948.²

Article 30. TERMINATION

This Convention shall remain in force unless terminated by one of the Contracting States. Either Contracting State may terminate the Convention by giving notice through the diplomatic channel at least six months before the end of any calendar year after 1968. In that event, the Convention shall cease to apply:

- (a) In Sweden: As regards income tax, to income received on or after 1 January of the calendar year next following that in which notice of termination was given, and, as regards capital tax, to the tax assessed in the second calendar year following that in which notice of termination was given and in subsequent years;
- (b) In Switzerland: To any fiscal year beginning on or after 1 January of the second calendar year following that in which notice of termination was given.

IN WITNESS WHEREOF the afore-mentioned Plenipotentiaries have signed this Convention and have thereto affixed their seals.

DONE at Stockholm on 7 May 1965, in duplicate in the Swedish and German languages, both texts being equally authentic.

TORSTEN NILSSON
EGBERT VON GRAFFENRIED

¹ United Nations, *Treaty Series*, vol. 197, p. 55.

² *Ibid.*, p. 101.