

The Rubik agreements

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Switzerland tried to save banking secrecy for existing relationships by proposing an alternative to the exchange of information: final withholding tax agreements, known as Rubik agreements. Under these agreements, Swiss banks would withhold taxes on the investment income of clients resident in the partner state at rates corresponding to the taxes of that state, and transfer the revenue anonymously to its tax authorities. The past would be regularised through a one-off payment on the undeclared assets, at a rate between twenty and forty per cent, after which the assets would be regarded as taxed. Clients could choose instead to disclose their accounts to their tax authorities.¹

Switzerland concluded Rubik agreements with the United Kingdom and Austria, which entered into force in 2013. It also signed an agreement with Germany in 2011. However, the German Bundesrat, the chamber of the German states, rejected it in November 2012, under the influence of the opposition parties, which argued that it would allow tax evaders to remain anonymous and pay too little. The rejection by Germany, Switzerland's most important partner in this field, ended the Rubik strategy. The agreements with the United Kingdom and Austria were terminated when the automatic exchange of information was introduced.

The failure of the Rubik agreements showed the limits of the Swiss strategy of offering money in exchange for continued anonymity. The partner states, under political pressure to fight tax evasion, wanted to know who their tax evaders were in addition to receiving their taxes. The anonymity that the Rubik agreements offered was precisely what the international community no longer accepted.

1 Notes

1. On the Rubik model of final withholding tax agreements, the agreements with the United Kingdom and Austria (in force since 1 January 2013) and the agreement with Germany (signed on 21 September 2011, rejected by the German Bundesrat on 23 November 2012), see the publications of the State Secretariat for International Finance. To be verified. ↩

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