Swiss MFN status suspension poses tax challenges for Indian firms, may hit inbound investments

Switzerland's suspension of the Most-Favored-Nation (MFN) status under its tax treaty with India, effective January 2025, will raise withholding tax on dividends from 5% to 10%. Experts note the move could affect cash flow for Indian businesses but emphasize that tax credits under the Double Taxation Avoidance Agreement (DTAA) will mitigate financial impacts, offering India an opportunity to reassess its tax strategies.

The suspension of the MFN clause by Switzerland is likely to impact Swiss investments in India, particularly by increasing the tax burden on dividend repatriations. Swiss companies, which previously benefited from reduced withholding tax rates (as low as 5%), will now face the original 10% rate, which could make India less attractive

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