STATUTORY INSTRUMENTS

1971 No. 717

INCOME TAX

The Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1971

Laid before the House of Commons in draft

Made - - - - 30*th April* 1971

At the Court at Windsor Castle, the 30th day of April 1971

Present,

The Queen's Most Excellent Majesty in Council

Whereas a draft of this Order was laid before the Commons House of Parliament in accordance with the provisions of section 497(8) of the Income and Corporation Taxes Act 1970(a), and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of this Order:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by section 497 of the said Income and Corporation Taxes Act 1970, and section 39 of the Finance Act 1965(b), as amended, and of all other powers enabling Her in that behalf, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. This Order may be cited as the Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1971.

2. It is hereby declared—

(*a*) that the arrangements specified in the Schedule to this Order for the extension to the Faroe Islands of the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Denmark) Order 1969(c) (varying the extension to the Faroe Islands of the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Denmark) Order 1950(d) by the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1961(e), as amended by the extension to the Faroe Islands of the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Denmark) Order 1967(f) by the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1968(g)) have been made with the Government of the

(a) 1970 c. 10.
(b) 1965 c. 25.
(c) S.I. 1969/1068 (1969 II, p. 3126).
(d) S.I. 1950/1195 (1950 I, p. 1019).
(e) S.I. 1961/579 (1961 I, p. 1284).
(f) S.I. 1967/163 (1967 I, p. 274).
(g) S.I. 1968/307 (1968 I, p. 932).

Kingdom of Denmark on behalf of the Government of the Faroe Islands with a view to affording relief from double taxation in relation to income tax, corporation tax or capital gains tax and taxes of a similar character imposed by the laws of the Faroe Islands ; and

(*b*) that it is expedient that those arrangements should have effect.

W. G. Agnew.

SCHEDULE

1. In this Schedule:

(*a*) " the 1950 Convention " means the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Denmark for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed at London on 27th March 1950 ;

(*b*) " the 1966 Protocol " means the Protocol signed at London on 7th July 1966 amending the 1950 Convention ;

(*c*) " the 1968 Protocol " means the Supplementary Protocol signed at London on 18th December 1968 amending the 1950 Convention as modified by the 1966 Protocol ;

(*d*) " the Convention as extended in 1966 " means the 1950 Convention as extended to the Faroe Islands by the Exchange of Notes of 31st October 1960 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Denmark, as modified by the extension of the 1966 Protocol to the Faroe Islands by the Exchange of Notes of 13th July and 24th October 1967 between those Governments ;

(*e*) " this Extension " means the extension of the 1968 Protocol to the Faroe Islands in accordance with this Schedule ;

(*f*) " the Convention as now extended " means the Convention as extended in 1966 as modified by this Extension.

2. The provisions of the 1968 Protocol shall apply to the Convention as extended in 1966 as if, in the 1968 Protocol:

(*a*) any reference to Denmark were a reference to the Faroe Islands ;

(*b*) any reference to Danish tax were a reference to Faroese tax, that is to say, the provincial income tax (*skat til Landskassen*) and the communal income tax (*kommunal indkomstskat*) ; and

(*c*) Article 12 were deleted.

3. This Extension shall enter into force after the expiration of thirty days following the date on which the last of the measures have been taken in the United Kingdom necessary to give this Extension the force of law in the United Kingdom and shall thereupon have effect:

(*a*) in the United Kingdom:

(i) as respects income tax (including surtax) and capital gains tax, for any year of assessment beginning on or after 6th April 1968 ; and

(ii) as respects corporation tax, for any financial year beginning on or after 1st April 1968 ;

(*b*) in the Faroe Islands:
as respects Faroese tax for any taxation year beginning on or after 1st April 1968.

4. The Government of the United Kingdom shall inform the Government of Denmark in writing when the last of the measures necessary as indicated in paragraph 3 above have been taken in the United Kingdom.

5. Subject to paragraph 6 of this Schedule, where any greater relief from tax would have been afforded by any provision of the Convention as extended in 1966 than is due under the Convention as now extended, any such provision as aforesaid shall continue to have effect for any year of assessment or financial year or taxation year beginning before the entry into force of this Extension.

6. The provisions of sub-paragraphs (*a*) and (*b*) of paragraph 3 of this Schedule and of paragraph 5 of this Schedule shall not apply in relation to dividends but the provisions of the Convention as now extended shall have effect and the provisions of the Convention as extended in 1966 shall cease to be effective, in relation to dividends payable on or after the date of entry into force of this Extension.

EXPLANATORY NOTE

(*This Note is not part of the Order.*)

The Double Taxation Convention with Denmark signed on 27th March 1950 was amended by a Supplementary Protocol signed on 18th December 1968. The present Order makes similar amendments to the extension of that Convention to the Faroe Islands. These amendments, in general, take effect in the United Kingdom from April 1968. The more important of them are as follows.

The rate of tax in the source country on dividends flowing from one country to the other is normally not to exceed 15 per cent in the case of portfolio investment and 5 per cent in the case of direct investment. Interest and royalties flowing from one country to the other will (as hitherto) normally be exempt from tax in the source country but relief from tax on dividends, interest and royalties in the country of origin will no longer depend on whether the recipient is subject to tax in the other country, and will instead depend on whether the income is beneficially owned by a resident of the other country.