STATUTORY INSTRUMENTS

1975 No. 2190

INCOME TAX

The Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1975

Laid before the House of Commons in draft

Made - - - - 19*th December* 1975

At the Court at Buckingham Palace, the 19th day of December 1975

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, as amended by section 98(2) of the Finance Act 1972**(b)**, 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 1975.

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 1973**(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)

(a) 1970 c. 10.
(b) 1972 c. 41.
(c) S.I. 1973 1326 (1973 II, p. 4044).
(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).

Order 1968(a) as further 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 1969(b) by the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Faroe Islands) Order 1971(c)) have been made with the Government of the 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 or corporation 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.

N. S. Leigh

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 1973 Protocol" means the Supplementary Protocol signed at Copenhagen on 8th February 1973 amending the 1950 Convention as modified by the 1966 and 1968 Protocols;

(*e*) "the Convention as extended in 1968" means the 1950 Convention as extended to the Faroe Islands by the Exchange of Notes of 31st October 1960 between the said Governments as modified both 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) and by the extension of the 1968 Protocol to the Faroe Islands (by the Exchange of Notes of 25th and 27th November 1970 between those Governments);

(*f*) "this Extension" means the extension of the 1973 Protocol to the Faroe Islands in accordance with this Schedule.

2. The provisions of the 1973 Protocol shall apply to the Convention as extended in 1968 as if, in the 1973 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).

3. This Extension shall enter into force on 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 in relation to dividends paid on or after 6th April 1973.

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.

(a) S.I. 1968 307 (1968 I, p. 932).
(b) S.I. 1969 1068 (1969 II, p. 3126).
(c) S.I. 1971 717 (1971 II, p. 1937).

EXPLANATORY NOTE

(This Note is not part of the Order.)

The Double Taxation Convention with Denmark signed on 27th March 1950 (as amended by Protocols signed on 7th July 1966 and 18th December 1968) was further amended by a Supplementary Protocol signed on 8th February 1973. The present Order makes similar further amendments to the extension of that Convention to the Faroe Islands.

The alterations take account of the introduction in the United Kingdom of the imputation system of corporation tax which, so far as it relates to the tax treatment of dividends paid by a United Kingdom company to an overseas shareholder, came into operation on 6th April 1973, and the new rules are expressed to take effect in relation to dividends paid on or after that date. They provide that where a United Kingdom company pays a dividend to an individual resident in the Faroe Islands or to a Faroese company which controls less than 10 per cent of the voting power in the paying company, the recipient is, subject to certain conditions, to receive the tax credit to which an individual resident in the United Kingdom and in receipt of such a dividend would be entitled less income tax at a rate not exceeding 15 per cent on the aggregate of the dividend and the tax credit.

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