EXPLANATORY MEMORANDUM TO

THE DOUBLE TAXATION RELIEF AND INTERNATIONAL TAX ENFORCEMENT (GUERNSEY) ORDER 2015

2015 No. [XXXX]

1. This explanatory memorandum has been prepared by HM Revenue & Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

The Order brings into effect the arrangement set out in an Exchange of Letters (the "Arrangement") between the Governments of the United Kingdom and The States of Guernsey. The Arrangement amends the arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Original Arrangement") set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Guernsey) Order 1952. The Original Arrangement was first amended by the arrangement scheduled to the Double Taxation Relief (Taxes on Income) (Guernsey) Order 1994 and further amended by the arrangement scheduled to the Double Taxation Relief and International Tax Enforcement (Guernsey) Order 2009.

3. Matters of special interest to the Select Committee on Statutory Instruments

None.

4. Legislative context

4.1 This Order is being made to give effect in UK legislation to the Arrangement. The Arrangement is scheduled to the Order, and is thus given domestic legislative effect.

4.2 This Order does not implement EU legislation.

5. Territorial extent and application

This Order applies to all of the United Kingdom.

6. European Convention on Human Rights

The Financial Secretary to the Treasury, David Gauke, has made the following statement regarding Human Rights:

"In my view the provisions of the Double Taxation Relief and International Tax Enforcement (Guernsey) Order 2015 are compatible with the Convention rights".

7. Policy background

- ***What is being done and why***

7.1 The Arrangement modernises the territorial definitions of the United Kingdom and Guernsey given in the Original Arrangement to include the territorial sea and, in the case of the United Kingdom, areas beyond the territorial sea that are within the jurisdiction of the United Kingdom under international law.

- ***Consolidation***

7.2 When the Arrangement enters into force HMRC will publish a consolidated version of the Original Arrangement on its website at: https://www.gov.uk/government/publications/guernsey-tax-treaties-in-force.

8. Consultation outcome

HMRC regularly consults with external interested parties, including business representatives, about the effectiveness of existing arrangements for the avoidance of double taxation and fiscal evasion as well as new needs. The annual treaty negotiating programme is agreed with Ministers and published on the HMRC website.

9. Guidance

General guidance on the operation of the UK's double taxation agreements can be found on the HMRC website at:
http://www.hmrc.gov.uk/manuals/intmanual/INTM150000.htm

or in the Double Taxation Relief Manual at:
http://www.hmrc.gov.uk/manuals/dtmanual/index.htm.

The pages of these Manuals will be revised regarding the Arrangement once it enters into force. The Manuals themselves will move to the Gov.UK website in due course and links to their latest location on:
https://www.gov.uk/government/collections/hmrc-manuals will be updated.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible. The provisions of the Arrangement does not introduce new tax burdens; rather, it provides relief from tax and thus are of benefit to business both large and small. Taxpayers may have to make a claim to HMRC or the other country's fiscal authority in order to benefit from the Arrangement.

10.2 There is no impact on the UK public sector. HMRC already operates the terms of many other similar arrangements currently in force.

10.3 A Tax Information and Impact Note has not been prepared for this Order as it gives effect to a previously announced policy to enact a double taxation agreement.

11. Regulating small business

As with other businesses, the impact is negligible. No special approach for small business is therefore necessary.

12. Monitoring & review

There are no specific plans to review this Statutory Instrument. However, both Governments will keep the Arrangement under consideration to ensure that it continues to meet the policy objectives set out above in section 7.

13. Contact

Lee Harley at HM Revenue & Customs (tel: 03000 585755 / email: lee.harley@hmrc.gsi.gov.uk) can answer any queries regarding the Order.