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## SCHEDULES.

### SCHEDULE 16

Section 64.

#### DOUBLE TAXATION RELIEF, AND OVERSEAS TRADE CORPORATIONS.

##### PART I

##### DOUBLE TAXATION RELIEF.

###### *Income Tax.*

- 1 As from such year of assessment as Parliament may hereafter determine, paragraphs 2 and 3 below shall have effect in the case of persons resident in the United Kingdom in place of paragraphs 5, 6 and 8 of Schedule 16 to the Income Tax Act 1952, and shall be construed and have effect as if contained in that Schedule.
- 2 (1) Where credit for foreign tax falls to be allowed in respect of any income, and income tax is payable by reference to the amount received in the United Kingdom, the amount received shall be treated for purposes of income tax as increased by the amount of the foreign tax in respect of the income, including in the case of a dividend underlying tax.
- (2) Where credit for foreign tax falls to be allowed in respect of any income, and subparagraph (1) above does not apply, then in computing the amount of the income for purposes of income tax—
- (a) no deduction shall be made for foreign tax (whether in respect of the same or any other income); and
  - (b) the amount of the income shall, in the case of a dividend, be treated as increased by any underlying tax.
- (3) The amount of any income shall not be treated as increased under this paragraph by reference to any foreign tax not payable but falling to be taken into account for purposes of credit by virtue of section 17 of the Finance Act 1961 (foreign tax reliefs to promote development).
- (4) In this paragraph " underlying tax " means in relation to a dividend tax which is not chargeable directly or by deduction in respect of the dividend but is to be taken into account in considering whether any, and if so what, credit is to be allowed against income tax in respect of the dividend.
- 3 (1) The amount of the credit for foreign tax to be allowed to a person against income tax for any year of assessment shall not exceed the difference between the amounts of income tax which would be borne by him for the year (no credit being allowed for foreign tax)—
- (a) if he were charged to tax on his total income for the year, computed in accordance with paragraph 2 above; and

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- (b) if he were charged to tax on the same income, computed in the same way, but excluding the income in respect of which the credit is to be allowed.
- (2) Where credit for foreign tax is to be allowed in respect of income from more than one source sub-paragraph (1) above shall be applied successively to the income from each source, but so that on each successive application paragraph (a) shall apply to the total income exclusive of the income to which the sub-paragraph has already been applied.
- (3) Without prejudice to sub-paragraphs (1) and (2) above the total credit to be allowed to a person against income tax for any year of assessment for foreign tax under all arrangements having effect by virtue of section 347 of the Income Tax Act 1952 shall not exceed the total income tax payable by him for that year of assessment, less any tax which he is entitled to charge against any other person.

*Corporation Tax.*

- 4 (1) Where dividends are paid by a company resident in a territory outside the United Kingdom to a company resident in the United Kingdom which controls directly or indirectly not less than one-quarter of the voting power of the company paying the dividends, then for the purpose of allowing credit against corporation tax in respect of the dividends in accordance with Schedule 16 or 17 to the Income Tax Act 1952, any United Kingdom tax payable by the first-mentioned company in respect of its profits (whether income tax or corporation tax) and any tax so payable under the law of any territory outside the United Kingdom shall be taken into account as if it were tax payable under the law of the first-mentioned territory.
- (2) For the purposes of this paragraph a company shall be deemed to control, directly or indirectly, not less than one-quarter of the voting power in another company if a third company having such control also controls directly or indirectly not less than one-half of the voting power in the first-mentioned company.
- (3) In relation to dividends paid by a company resident in the Commonwealth territories, paragraph 3 of Schedule 17 to the Income Tax Act 1952 shall apply as if in that paragraph and (as they apply for purposes of that paragraph) in section 16 of the Finance Act 1964 and sub-paragraphs (1) and (2) above references to one-quarter of the voting power were references to one-tenth of the voting power.
- 5 (1) Subject to sub-paragraph (2) below, where a company resident in the United Kingdom is charged to tax under Case I of Schedule D in respect of any insurance business carried on by it, and that business or any part of it is carried on through a branch or agency in a territory outside the United Kingdom, then in respect of dividends referable to that business which are paid to the company by companies resident in that territory any tax payable by those companies in respect of their profits under the law of that or any other territory outside the United Kingdom and any United Kingdom tax so payable (whether income tax or corporation tax) shall, in considering whether any, and if so what, credit is to be allowed under Schedule 16 or 17 to the Income Tax Act 1952, be taken into account as tax so payable under the law of the first-mentioned territory is taken into account in a case falling within paragraph 9 of Schedule 16.
- (2) Credit shall not be allowed to a company by virtue of this paragraph for any financial year in respect of a greater amount of dividends paid by companies resident in any overseas territory than is equal to any excess of the relevant fraction of the company's total income in that year from investments (including franked investment income

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and group income) so far as referable to the said business over the amount of the dividends so referable which are paid to it in the year by companies resident in that territory and in respect of which credit may apart from this paragraph be allowed to it for tax not chargeable directly or by deduction.

- (3) For purposes of sub-paragraph (2) above " the relevant fraction " is, in relation to any overseas territory, the fraction of which the numerator is the company's local, and the denominator the company's total, premium income in the financial year so far as referable to the said business, and premium income shall be deemed to be local premium income in so far as it consists of premiums under contracts entered into at or through a branch or agency in that territory by persons not resident in the United Kingdom.

- 6 As from such time as Parliament may hereafter determine, where, in the case of a company resident in the United Kingdom, credit for foreign tax falls to be allowed in respect of any income, then in computing the amount of the income for purposes of corporation tax paragraph 7 of Schedule 16 to the Income Tax Act 1952 shall not apply, but instead paragraph 2(2) to (4) above shall apply as they apply for purposes of income tax.

## PART II

### OVERSEAS TRADE CORPORATIONS.

- 7 A company ceasing to be an overseas trade corporation by the operation of Part IV of this Act shall be treated for corporation tax as having at the beginning of the year 1966-67 ceased to carry on its trade and begun to carry on a new trade.
- 8 Notwithstanding anything in Part IV of this Act, paragraph 4 of Schedule 4 to the Finance Act 1957 (under which an overseas trade corporation is to be treated as having received capital allowances) shall continue to have effect, whether for corporation tax or for income tax, in relation to a company ceasing by the operation of Part IV of this Act or otherwise to be an overseas trade corporation.
- 9 (1) Where in the year 1965-66 dividends become due on shares in a company which is an overseas trade corporation, those dividends shall not by virtue of paragraph 7(1) of Schedule 5 to the Finance Act 1957 be related to any period ending after that year, in so far as so treating them would result in a greater amount being apportioned to the part of the period falling after that year than the amount which by virtue of section 83 of this Act is to be taken into account under sections 47(3) and 48.
- (2) Where sub-paragraph (1) above applies to any dividends, so much of those dividends as would otherwise be, but cannot be, related to a period ending after the year 1965-66 shall be related in the first instance to the period of account in which they become due or, if that period ends after the year 1965-66, to the part of it falling within that year (the dividends, if any, which are to be taken into account under sections 47(3) and 48 of this Act being for this purpose taken as those becoming due later rather than those becoming due earlier).