

## EXPLANATORY NOTE

The Finance (No. 2) Act, 1945, provides for double taxation arrangements with other countries to be given statutory effect by Order in Council. Any such Order is required to be laid before the House of Commons in draft. Under the Arrangement with the Gilbert and Ellice Islands Colony which is scheduled to this Order, certain classes of income derived from one country by a resident of the other country are (subject to certain conditions) to be exempt from tax in the former country; these classes are shipping and air transport profits, certain trading profits not arising through a “permanent establishment”, patent and copyright royalties, pensions other than Government pensions, purchased annuities and earnings of temporary business visitors. Government salaries are normally to be taxed by the paying Government only. Remuneration of visiting professors and teachers is to be exempt in the country visited.

Dividends are to be exempt from any tax which is additional to the tax charged on the profits represented by the dividend. Where income continues to be taxable in both countries, full credit is to be given by the country of the taxpayer's residence for the tax payable in the country of origin of the income.

Provision is included for the exchange of information between the taxation authorities of the two countries.

The Arrangement is expressed to take effect for the fiscal year 1949-50.