

SCHEDULE

ARRANGEMENT BETWEEN HIS MAJESTY'S GOVERNMENT AND THE STATES OF GUERNSEY FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

3.—(1) The industrial or commercial profits of a United Kingdom enterprise shall not be subject to Guernsey tax unless the enterprise is engaged in trade or business in Guernsey through a permanent establishment situated therein. If it is so engaged, tax may be imposed on those profits by Guernsey but only on so much of them as is attributable to that permanent establishment.

(2) The industrial or commercial profits of a Guernsey enterprise shall not be subject to United Kingdom tax unless the enterprise is engaged in trade or business in the United Kingdom through a permanent establishment situated therein. If it is so engaged, tax may be imposed on those profits by the United Kingdom, but only on so much of them as is attributable to that permanent establishment.

(3) Where an enterprise of one of the territories is engaged in trade or business in the other territory through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to derive from its activities in that other territory if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment.

(4) No portion of any profits arising from the sale of goods or merchandise by an enterprise of one of the territories shall be attributed to a permanent establishment situated in the other territory by reason of the mere purchase of the goods or merchandise within that other territory.