1966 No. 1281

INCOME TAX

The Double Taxation Relief (Taxes on Income) (General) (Dividend) Regulations 1966

Made - - -	*7th October* 1966
Coming into Operation	14*th October* 1966

The Commissioners of Inland Revenue, in exercise of the powers conferred upon them by section 351 of the Income Tax Act 1952(a) (as amended by section 34 of the Finance Act 1966(b)) and by section 31 of the Finance Act 1966, hereby make the following Regulations:—

1.—(1) These Regulations may be cited as the Double Taxation Relief (Taxes on Income) (General) (Dividend) Regulations 1966 and shall come into operation on 14th October 1966.

(2) The Interpretation Act 1889(c) shall apply to these Regulations as it applies to an Act of Parliament.

(3) In these Regulations, unless the context otherwise requires—

"the Board" means the Commissioners of Inland Revenue;

"double taxation agreement" means arrangements having effect under section 347 of the Income Tax Act 1952;

"qualified non-resident" means a person resident outside the United Kingdom who in respect of dividends paid by companies resident in the United Kingdom is entitled to exemption or partial relief from United Kingdom income tax under a double taxation agreement or under section 31 of the Finance Act 1966;

"gross amount" in relation to a dividend to which Regulation 3 applies has the meaning given in Regulation 3(3);

"shares" includes stock;

"tax unaccounted for" in relation to a dividend to which Regulation 3 applies has the meaning given in Regulation 3(5);

expressions otherwise undefined have the same meaning as in the Corporation Tax Acts.

(4) Section 89(4) of the Finance Act 1965(d) (date when dividends to be treated as paid) shall apply for the purposes of these Regulations as it applies for the purposes of the Corporation Tax Acts.

2.—(1) The Board may make arrangements with a company resident in the United Kingdom whereby in paying dividends in respect of any shares to which

(a) 15 & 16 Geo. 6 & 1 Eliz. 2. c. 10. (b) 1966 c. 18.
(c) 52 & 53 Vict. c. 63. (d) 1965 c. 25.

the arrangements apply the company shall pay an amount determined on the basis specified in the arrangements as applying to those shares, being either the basis that the paying company is not liable to account for income tax under section 47(3) of the Finance Act 1965 in respect of those dividends, or the basis that the paying company is liable to account therefor at a rate specified in the arrangements instead of at the standard rate.

(2) The Board shall not make arrangements under this Regulation unless they are satisfied that relief in respect of dividends on the shares to which the arrangements apply will not enure to the benefit of persons other than qualified non-residents.

(3) The effective period of arrangements made under this Regulation shall begin with the date on which the arrangements are made or such later date as may be specified in the arrangements, and shall end with the date on which either party receives notice in writing from the other terminating the arrangements or such later date as may be specified in the notice.

3.—(1) The following provisions of this Regulation shall apply to any dividend paid in respect of shares to which arrangements made by the Board under Regulation 2 apply, being a dividend paid during the effective period of the arrangements.

(2) The paying company shall not be liable to account for income tax under section 47(3) of the Finance Act 1965 in respect of the dividend except on the basis specified in the arrangements, but—

(*a*) for the purposes of the Corporation Tax Acts the tax unaccounted for shall, as regards the paying company, be deemed to have been tax deductible from the dividend and paid to the Board at the time when the dividend was paid, and

(*b*) for the purposes of any computation required by paragraph 1(2) of Schedule 12 to the Finance Act 1965 the tax unaccounted for shall be treated as tax for which the company is liable to account.

(3) The dividend shall be deemed for purposes of income tax to represent income of an amount (in these Regulations referred to as "the gross amount" of the dividend) equal to the sum actually paid together with any income tax in respect of the dividend for which the paying company remains liable to account in accordance with paragraph (2) above.

(4) The paying company shall render to the Board an account at such time, and containing such particulars relating to the dividend, as the Board may require.

(5) In these Regulations the "tax unaccounted for" in relation to a dividend to which this Regulation applies means the difference between—

(*a*) income tax on the gross amount of the dividend at the standard rate for the year in which the dividend is paid, and

(*b*) income tax in respect of the dividend for which the paying company has accounted or is liable to account in accordance with paragraph (2) above.

4. If the Board discover that the person beneficially entitled to a dividend to which Regulation 3 applies was not entitled under a double taxation agreement or under section 31 of the Finance Act 1966 to relief in respect of the dividend corresponding to the tax unaccounted for the amount of the tax unaccounted for may be recovered by an assessment on that person under Case VI of Schedule D.

By Order of the Commissioners of Inland Revenue.

J. A. Johnstone,
Secretary.

7th October 1966.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations enable a company resident in the United Kingdom, by arrangement with the Board of Inland Revenue, in certain circumstances to pay dividends without deduction of tax, or under deduction of tax at a reduced rate, whichever is appropriate, where such dividends are going to non-residents qualifying for relief from United Kingdom tax under a double taxation agreement or under section 31 of the Finance Act 1966. The Regulations provide that where under such arrangements tax is not deducted from a dividend the company paying the dividend shall be treated as if it had paid the tax to the Board when it paid the dividend. The Regulations also make provision for the recovery of tax which under the arrangements was not deducted but, it is subsequently discovered, should have been deducted.