

---

 STATUTORY INSTRUMENTS
 

---

1980 No. 780

## INCOME TAX

## DOUBLE TAXATION RELIEF

**The Double Taxation Relief (Taxes on Income)  
 (Canadian Dividends and Interest) Regulations 1980**

*Made - - - -* 4 June 1980  
*Coming into Operation* 1 July 1980

The Commissioners of Inland Revenue, in exercise of the powers conferred upon them by section 517 of the Income and Corporation Taxes Act, 1970(a), hereby make the following Regulations:—

1. These Regulations may be cited as the Double Taxation Relief (Taxes on Income) (Canadian Dividends and Interest) Regulations, 1980, and shall come into operation on the 1st day of July, 1980.

2.—(1) These Regulations apply to dividends and interest from Canadian sources from which Canadian tax has been withheld at a rate not exceeding 15 per cent with a view to carrying out in relation to such dividends and interest the provisions of the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Canada which is scheduled to the Double Taxation Relief (Taxes on Income) (Canada) Order, 1967(b) or the provisions of any Agreement between the two Governments having effect under section 497 of the Income and Corporation Taxes Act 1970 after the date on which these Regulations are made which are substantially similar to those provisions.

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

“agreement territory” means a territory which the Canadian taxation authorities have notified the Board is to be treated as an agreement territory and is either (i) a territory (other than the United Kingdom) between the government of which and the Government of Canada there are arrangements in force which include provisions in pursuance of which the rate at which Canadian tax is withheld from dividends or interest derived from Canadian sources by residents of that territory qualifying for relief is limited so as not to exceed 15 per cent; or (ii) a territory to which such provisions have been extended under the terms of any such arrangements; or (iii) a territory to which any of the provisions referred to in paragraph (1) above in relation to withholding of Canadian tax from dividends or interest have been extended;

Provided that, where any such provisions as are referred to above so limit the rate at which Canadian tax is to be withheld from dividends but not from interest, or from interest but not from dividends, the territory in relation to which such provisions are in force shall be treated as an agreement territory only with respect to dividends or, as the case may be, to interest;

---

 (a) 1970 c. 10.

(b) S.I. 1967/482.

“Canadian dividend or interest” means any dividend or interest to which these Regulations apply or any part of such dividend or interest;

“Canadian taxation authorities” means the Minister of National Revenue of Canada or his authorised representative;

“chargeable person” means any person mentioned in paragraph 6(c) or (d) of Part III of Schedule 5 to the Income and Corporation Taxes Act 1970;

“gross amount” in relation to any Canadian dividend or interest means the amount which after deduction of Canadian tax at a rate not exceeding 15 per cent leaves the amount of the dividend or interest, or the proceeds thereof, obtained by the chargeable person;

other expressions have the same meaning as in the Income Tax Acts.

3.—(1) Where a chargeable person is authorised to refrain from deducting United Kingdom income tax from any Canadian dividend or interest on the ground that the person beneficially entitled to the dividend or interest is not resident in the United Kingdom, he shall withhold on account of Canadian tax, out of moneys in his hands, an amount equal to 10 per cent of the gross amount of the Canadian dividend or interest, and shall be acquitted and discharged of the amount so withheld as if it had been actually paid to the said person:

Provided that, where the person beneficially entitled to the dividend or interest is not resident in the United Kingdom, but is resident in an agreement territory or in Canada, and authorises the chargeable person to disclose to the Board the information referred to in paragraph (2)(b)(ii) below, this paragraph shall not apply.

(2) Not later than 15 days after the end of every period of three months ending on the 31 March, 30 June, 30 September or 31 December, or on demand by the Board, the chargeable person shall:—

(a) pay or account for to the Board all amounts withheld by him under paragraph (1) above in the last-ended such period, and

(b) render to the Board statements in duplicate in a form approved by them—

(i) showing the total amount of all Canadian dividends and interest from which he has withheld amounts under paragraph (1) above during that period, the total gross amount of such dividends and interest, and the total amount so withheld;

(ii) where any Canadian dividend or interest has been collected for, or the proceeds thereof have been paid to, a person not resident in the United Kingdom, but resident in an agreement territory or in Canada, and the chargeable person has been authorised to disclose the information to the Board, showing the names and addresses of all such persons, and as respects each such person the gross amount of each such dividend or payment of interest and the name of the person paying the dividend or interest.

(3) Where any Canadian dividend or interest from which United Kingdom income tax has not been deducted is received by a person in the United Kingdom (other than a chargeable person) who is not beneficially entitled thereto, and the person beneficially entitled thereto is not resident in the United Kingdom, the provisions of this Regulation shall apply (subject to any necessary modification) to the former person as if he were a chargeable person who was authorised

to refrain from deducting United Kingdom income tax on the dividend or interest on the grounds mentioned in paragraph (1) above.

4. Where, after United Kingdom income tax has been deducted from any Canadian dividend or interest, it is proved to the satisfaction of the Board on a claim made in that behalf that the person beneficially entitled to the dividend or interest is not resident in the United Kingdom, the Board shall withhold, on account of Canadian tax, out of any repayment due to that person in respect of the tax so deducted, an amount equal to 10 per cent of the gross amount of the dividend or interest and the Board shall be acquitted and discharged of the amount so withheld as if it had been actually repaid to that person:

Provided that, where the person beneficially entitled to the dividend or interest is not resident in the United Kingdom, but is resident in an agreement territory or in Canada, this Regulation shall not apply.

5. All amounts paid to the Board under Regulation 3, or withheld by them under Regulation 4, shall be paid by the Board to the Canadian taxation authorities in accordance with such arrangements as may be made for the purpose between the Board and those authorities.

6. The Board shall publish from time to time in whatever manner seems to them appropriate, lists of territories which the Canadian taxation authorities have notified them are to be treated as agreement territories for the purpose of these Regulations.

By Order of the Commissioners of Inland Revenue.

4 June 1980.

*Anne Smallwood.*

## EXPLANATORY NOTE

*(This Note is not part of the Regulations.)*

Dividend and interest payments from Canadian sources to persons not resident in Canada are normally subject to Canadian withholding tax of 25 per cent (20 per cent in the case of certain dividends). Under the Double Taxation Agreement between the United Kingdom and Canada the Canadian withholding tax is not to exceed 15 per cent where the beneficial owner of the income is a resident of the United Kingdom. Persons in Canada paying dividends or interest to an address in the United Kingdom therefore deduct tax at only 15 per cent (10 per cent in the case of dividends where the Canadian 20 per cent withholding rate would otherwise apply).

If the person beneficially entitled to the dividends or interest is not however a resident of the United Kingdom he is not entitled under the Agreement to this reduction. The Regulations accordingly provide that where such dividends or interest are collected by a chargeable person in the United Kingdom for a person not resident in the United Kingdom the chargeable person shall deduct an additional 10 per cent Canadian withholding tax and account for it to the United Kingdom Commissioners of Inland Revenue, who will then account for it to the Canadian taxation authorities.

In certain other Agreements concluded by Canada provision is similarly made for the reduction of Canadian withholding tax to 15 per cent on dividends or interest paid to residents of the other territory. Subject to certain conditions, the Regulations authorise chargeable persons in the United Kingdom to refrain from deducting any additional Canadian withholding tax when they collect Canadian dividends or interest for residents of such territories or for residents of Canada who, under Canadian law, are not subject to the Canadian withholding tax.