

2000 No. 3247

INCOME TAX

**The Double Taxation Relief (Taxes on Income) (Norway)
Order 2000**

Made - - - - - 13th December 2000

At the Court at Buckingham Palace, the 13th day of December 2000

Present,

The Queen's most Excellent Majesty in Council

Whereas a draft of this Order was laid before the House of Commons in accordance with the provisions of section 788(10) of the Income and Corporation Taxes Act 1988(a), and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of that draft:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by section 788 of the said Act, and of all other powers enabling Her in that behalf, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. This Order may be cited as the Double Taxation Relief (Taxes on Income) (Norway) Order 2000.
2. It is hereby declared—
 - (a) that the arrangements specified in the Convention set out in the Schedule to this Order have been made with the Government of the Kingdom of Norway with a view to affording relief from double taxation in relation to income tax, corporation tax or capital gains tax and taxes of a similar character imposed by the laws of Norway;
 - (b) that those arrangements include provisions with respect to the exchange of information necessary for carrying out the domestic laws of the United Kingdom and the laws of Norway concerning taxes covered by the arrangements including, in particular, provisions about the prevention of fiscal evasion with respect to those taxes; and
 - (c) that it is expedient that those arrangements should have effect.

Clerk of the Privy Council

(a) 1988 c. 1; section 788 is extended by section 277 of the Taxation of Chargeable Gains Act 1992 (c. 12).

SCHEDULE

PART I

CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE KINGDOM OF NORWAY FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Norway;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital;

Have agreed as follows:

ARTICLE 1

PERSONS COVERED

This Convention shall apply to persons who are residents of one or both of the Contracting States.

ARTICLE 2

TAXES COVERED

(1) This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State or its political subdivisions or local authorities, irrespective of the manner in which they are levied.

(2) There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

(3) The existing taxes to which this Convention shall apply are in particular:

(a) in the United Kingdom:

- (i) the income tax;
 - (ii) the corporation tax;
 - (iii) the capital gains tax; and
 - (iv) the petroleum revenue tax;
- (hereinafter referred to as "United Kingdom tax");

(b) in Norway:

- (i) the national tax on income (inntektsskatt til staten);
 - (ii) the county municipal tax on income (inntektsskatt til fylkeskommunen);
 - (iii) the municipal tax on income (inntektsskatt til kommunen);
 - (iv) the national tax on capital (formuesskatt til staten);
 - (v) the municipal tax on capital (formuesskatt til kommunen);
 - (vi) the national tax relating to income and capital from the exploration for and the exploitation of submarine petroleum resources and activities and work relating thereto, including pipeline transport of petroleum produced (skatt til staten vedrørende inntekt og formue i forbindelse med undersøkelse etter og utnyttelse av undersjøiske petroleumforekomster og dertil knyttet virksomhet og arbeid, herunder rørledningstransport av utvunnet petroleum);
 - (vii) the national tax on remuneration to non-resident artistes etc. (skatt til staten på honorarer til utenlandske artister mv.);
- (hereinafter referred to as "Norwegian tax").

(4) This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws.

ARTICLE 3

GENERAL DEFINITIONS

- (1) For the purposes of this Convention, unless the context otherwise requires:
- (a) the term “United Kingdom” means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the seabed and subsoil and their natural resources may be exercised;
 - (b) the term “Norway” means the Kingdom of Norway, including any area outside the territorial waters of the Kingdom of Norway where the Kingdom of Norway, according to Norwegian legislation and in accordance with international law, may exercise her right with respect to the seabed and subsoil and their natural resources; the term does not comprise Svalbard, Jan Mayen and the Norwegian dependencies (biland).
 - (c) the term “national” means:
 - (i) in relation to the United Kingdom, any British citizen or any British subject not possessing the citizenship of any other Commonwealth country or territory, provided he has the right of abode in the United Kingdom; and any legal person, partnership, association or other entity deriving its status as such from the law in force in the United Kingdom;
 - (ii) in relation to Norway all individuals possessing Norwegian nationality and all legal persons, partnerships and associations deriving their status as such from the law in force in Norway;
 - (d) the term “tax” means United Kingdom tax or Norwegian tax, as the context requires;
 - (e) the terms “a Contracting State” and “the other Contracting State” mean the United Kingdom or Norway, as the context requires;
 - (f) the term “person” comprises an individual, a company and any other body of persons, but does not include a partnership;
 - (g) the term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;
 - (h) the terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
the term “international traffic” means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
 - (j) the term “competent authority” means in the case of the United Kingdom the Commissioners of Inland Revenue or their authorised representative, and in the case of Norway the Minister of Finance or his authorised representative.
- (2) As regards the application of this Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has at that time under the law of that State for the purpose of the taxes to which this Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

ARTICLE 4

RESIDENCE

- (1) For the purposes of this Convention, the term “resident of a Contracting State” means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or capital situated therein.
- (2) Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status shall be determined as follows:
- (a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of the State with which his personal and economic relations are closer (centre of vital interests);
 - (b) if the State in which he has his centre of vital interests cannot be determined, or if he does not have a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has a habitual abode;

- (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
- (d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

(3) Where by reason of the provisions of paragraph (1) of this Article a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident only of the State in which its place of effective management is situated.

ARTICLE 5

PERMANENT ESTABLISHMENT

(1) For the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

(2) The term “permanent establishment” includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop; and
- (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

(3) The term “permanent establishment” also includes a building site or construction or installation or assembly project, or supervisory or consultancy services connected therewith, but only if such site, construction, installation or project lasts, or such services continue, for more than twelve months in the aggregate in any twenty-four month period.

(4) Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
- (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e) of this paragraph provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

(5) Notwithstanding the provisions of paragraphs (1) and (2) of this Article, where a person, other than an agent of an independent status to whom paragraph (6) of this Article applies, is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (4) of this Article which, if exercised through a fixed place of business, would not make that fixed place of business a permanent establishment under the provisions of that paragraph.

(6) An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

(7) The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

ARTICLE 6

INCOME FROM IMMOVABLE PROPERTY

(1) Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

(2) The term “immovable property” shall have the meaning which it has under the law of the Contracting State in which the property is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraph (1) of this Article shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

(4) The provisions of paragraphs (1) and (3) of this Article shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

ARTICLE 7

BUSINESS PROFITS

(1) The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

(2) Subject to the provisions of paragraph (3) of this Article, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

(3) In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including a reasonable allocation of executive and general administrative expenses incurred for the purposes of the enterprise as a whole, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

(4) No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

(5) For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

(6) Where profits include items of income or capital gains which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

ARTICLE 8

SHIPPING AND AIR TRANSPORT

(1) Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

(2) Profits of an enterprise of a Contracting State from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise shall be taxable only in that Contracting State, except insofar as those containers or trailers and related equipment are used for transport solely between places within the other Contracting State.

(3) The provisions of paragraphs (1) and (2) of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency, but only to so much of the profits so derived as is attributable to the participant in proportion to its share in the joint operations.

(4) With respect to profits derived by the Danish, Norwegian and Swedish air transport consortium, known as the Scandinavian Airlines System (SAS), the provisions of paragraphs (1), (2) and (3) of this Article shall apply only to such proportion of the profits as corresponds to the participation in that consortium by SAS Norge ASA, the Norwegian partner of the Scandinavian Airlines System (SAS).

ARTICLE 9

ASSOCIATED ENTERPRISES

(1) Where

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

(2) Where a Contracting State includes in the profits of an enterprise of that State—and taxes accordingly—profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then the competent authorities of the Contracting States may consult together with a view to reaching an agreement on the adjustment of profits in both Contracting States.

ARTICLE 10

DIVIDENDS

(1) Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

(2) However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting state the tax so charged shall not exceed:

- (a) 5 per cent. of the gross amount of the dividends if the beneficial owner is a company which controls, directly or indirectly, at least 10 per cent. of the voting power in the company paying the dividends;
- (b) 15 per cent. of the gross amount of the dividends in all other cases.

(3) The term “dividends” as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the Contracting State of which the company making the distribution is a resident and also includes any other item which, under the laws of the State of which the company paying the dividend is a resident, is treated as a dividend or distribution of the company.

(4) The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(5) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company’s undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that other State.

(6) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the shares or other rights in respect of which the dividend is paid to take advantage of this Article by means of that creation or assignment.

ARTICLE 11

INTEREST

(1) Interest derived and beneficially owned by a resident of a Contracting State shall be taxable only in that State.

(2) The term “interest” for United Kingdom tax purposes includes any item which under the law of the United Kingdom is treated as interest and for Norwegian tax purposes includes any item which under the law of Norway is treated as interest, but shall not include any item which is treated as a dividend under the provisions of Article 10 of this Convention.

(3) The provisions of paragraph (1) of this Article shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such a case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(4) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

(5) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the debt-claim in respect of which the interest is paid to take advantage of this Article by means of that creation or assignment.

ARTICLE 12

ROYALTIES

(1) Royalties derived and beneficially owned by a resident of a Contracting State shall be taxable only in that State.

(2) The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, and films or tapes for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for information (know-how) concerning industrial, commercial or scientific experience.

(3) The provisions of paragraph (1) of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(4) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

(5) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties are paid to take advantage of this Article by means of that creation or assignment.

ARTICLE 13

CAPITAL GAINS

(1) Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Convention may be taxed in the Contracting State in which such property is situated.

(2) Gains derived by a resident of a Contracting State from the alienation of:

- (a) shares, other than shares in which there is substantial and regular trading on a Stock Exchange, deriving their value or the greater part of their value directly or indirectly from immovable property situated in the other Contracting State, or
- (b) an interest in a partnership or trust the assets of which consist principally of immovable property situated in the other Contracting State, or of shares referred to in sub-paragraph (a) above,

may be taxed in that other State.

(3) Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such a fixed base, may be taxed in that other State.

(4) Gains derived by a resident of a Contracting State from the alienation of ships or aircraft used for transport, or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State. This paragraph shall not apply where those ships or aircraft are used for transport solely between places within the other Contracting State.

With respect to gains derived by the Danish, Norwegian and Swedish air transport consortium known as the Scandinavian Airlines System (SAS), the provisions of this paragraph shall apply only to such proportion of the gains as corresponds to the participation in that consortium by SAS Norge ASA, the Norwegian partner of the Scandinavian Airlines System (SAS).

(5) Gains derived by a resident of a Contracting State from the alienation of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise shall be taxable only in that Contracting State except insofar as those containers or trailers and related equipment are used for transport solely between places within the other Contracting State.

(6) Gains derived by an individual who is a resident of a Contracting State from the alienation of shares or other rights in a company which is a resident of the other Contracting State, as well as gains from the alienation of options or other financial instruments related to such shares or rights, may be taxed in that other State, but only if the alienator has been a resident of that other State at any time during the six years immediately preceding the alienation of the shares, rights, options or financial instruments.

(7) Gains from the alienation of any property other than that referred to in the preceding paragraphs of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

ARTICLE 14

INDEPENDENT PERSONAL SERVICES

(1) Income derived by an individual who is a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State. However, such income may also be taxed in the other Contracting State if:

- (a) the individual is present in the other State for a period or periods exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned; or
- (b) the individual has a fixed base regularly available in that other State for the purpose of performing the activities.

If he has such a fixed base or is so present in that other State, the income may be taxed in that other State, but only so much of it as is attributable to that fixed base or, as the case may be, to services performed in that other State during that twelve month period.

(2) The term "professional services" includes, especially, independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

ARTICLE 15

DEPENDENT PERSONAL SERVICES

(1) Subject to the provisions of Articles 16, 18, 19 and 20 of this Convention, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1) of this Article and subject to paragraph (3) of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned; and
- (b) the remuneration is paid by, or on behalf of, an employer who is a resident of the State of which the recipient is a resident; and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

(3) Paragraph (2) of this Article shall not apply to remuneration derived by a resident of a Contracting State, in this paragraph called "the employee", and paid by or on behalf of an employer who is a resident of that State in respect of an employment exercised in the other Contracting State where:

- (a) the employee renders services in the course of that employment to a person other than the employer who, directly or indirectly, supervises, directs or controls the manner in which those services are performed; and
- (b) the employer is not responsible for carrying out the purposes for which the services are performed.

(4) Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State of which the enterprise operating the ship or aircraft is a resident. Where a resident of Norway derives remuneration in respect of an employment exercised aboard an aircraft operated in international traffic by the Scandinavian Airlines System (SAS) consortium, such remuneration shall be taxable only in Norway.

ARTICLE 16

DIRECTORS' FEES

Directors' fees and other similar payments derived by a resident of a Contracting State in the capacity of a member of the board of directors or of a similar organ of a company which is a resident of the other Contracting State may be taxed in that other State.

ARTICLE 17

ARTISTES AND SPORTSMEN

(1) Notwithstanding the provisions of Articles 14 and 15 of this Convention, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

(2) Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

(3) The provisions of paragraphs (1) and (2) shall not apply to income derived from activities exercised in a Contracting State by artistes or sportsmen if the visit to that State is wholly or mainly supported by public funds of one or both of the Contracting States or political subdivisions or local authorities thereof. In such a case, the income shall be taxable only in the Contracting State of which the artiste or the sportsman is a resident.

ARTICLE 18

PENSIONS, ANNUITIES, ALIMONY AND SOCIAL SECURITY PAYMENTS

(1) Subject to paragraph (2) of Article 19 of this Convention, pensions, annuities, alimony and other maintenance payments, as well as payments under the social security legislation of either Contracting State, paid to a resident of a Contracting State shall be taxable only in that State.

(2) The term “annuity” means a stated sum payable to an individual periodically at stated times during his life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money’s worth.

(3) Notwithstanding the provisions of paragraph (1) of this Article, any alimony or other maintenance payment paid by a resident of one of the Contracting States to a resident of the other Contracting State, shall, if the payer is not allowed to deduct it in computing his income for tax purposes in the Contracting State of which he is a resident, be taxable only in that State.

ARTICLE 19

GOVERNMENT SERVICE

- (1)
 - (a) Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
 - (i) is a national of that State; or
 - (ii) did not become a resident of that State solely for the purpose of rendering the services.
- (2)
 - (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State. Where such pension is not subject to tax in that State, the pension may be taxed in the other Contracting State.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph such pension shall be taxable only in the other Contracting State if the individual is a resident and a national of that State.
- (3) The provisions of Articles 15, 16, 17 and 18 of this Convention shall apply to salaries, wages and other similar remuneration, and to pensions, in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

ARTICLE 20

STUDENTS

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

ARTICLE 21

OTHER INCOME

- (1) Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.
- (2) The provisions of paragraph (1) of this Article shall not apply to income paid out of trusts or the estates of deceased persons in the course of administration. Where such income is paid to a beneficiary who is a resident of Norway by trustees or personal representatives who are residents of the United Kingdom out of income received by those trustees or personal representatives which would, if those trustees or personal representatives had been residents of Norway, have fallen within other Articles of this

Convention, the beneficiary shall be treated as having received an amount of the income received by the trustees or personal representatives corresponding to the income received by him and any tax paid by the trustees or personal representatives on that amount shall be treated as having been paid by the beneficiary.

(3) The provisions of paragraph (1) of this Article shall not apply to income, other than income from immovable property as defined in paragraph (2) of Article 6 of this Convention, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(4) Where, by reason of a special relationship between the person referred to in paragraph (1) of this Article and some other person, or between both of them and some third person, the amount of the income referred to in that paragraph exceeds the amount (if any) which would have been agreed upon between them in the absence of such a relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such a case, the excess part of the income shall remain taxable according to the laws of each Contracting State, due regard being had to the other applicable provisions of this Convention.

(5) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the income is paid to take advantage of this Article by means of that creation or assignment.

ARTICLE 22

CAPITAL

(1) Capital represented by immovable property referred to in Article 6 of this Convention, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

(2) Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State or by movable property to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

(3) Capital of a resident of a Contracting State represented by ships or aircraft used for transport, and by movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State. This paragraph shall not apply where those ships or aircraft are used for transport solely between places within the other Contracting State.

The provisions of this paragraph shall apply to capital owned by the Joint Danish, Norwegian and Swedish air transport consortium, known as Scandinavian Airlines System (SAS), but only to such part of the capital as corresponds to the participation in that consortium by SAS Norge ASA, the Norwegian partner of the Scandinavian Airlines System (SAS).

(4) Capital of a resident of a Contracting State represented by containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise shall be taxable only in that Contracting State except insofar as those containers or trailers and related equipment are used for transport solely between places within the other Contracting State.

(5) All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

ARTICLE 23

MISCELLANEOUS RULES APPLICABLE TO CERTAIN OFFSHORE ACTIVITIES

(1) The provisions of this Article shall apply notwithstanding any other provision of this Convention.

(2) In this Article the term “offshore activities” means activities which are carried on offshore in a Contracting State in connection with the exploration or exploitation of the seabed and subsoil and their natural resources situated in that State.

(3) An enterprise of a Contracting State which carries on offshore activities in the other Contracting State shall, subject to paragraphs (5) and (6) of this Article, be deemed to be carrying on business in that other State through a permanent establishment situated therein.

(4) Subject to the provisions of paragraph (5) of this Article, a resident of a Contracting State who carries on offshore activities in the other Contracting State, which consists of professional services or other activities of an independent character shall be deemed to be performing those activities from a fixed base in that other State.

- (5) The provisions of paragraphs (3) and (4) of this Article shall not apply:
- (a) where the offshore activities are carried on in the other Contracting State for a period or periods not exceeding in the aggregate 30 days in any twelve month period. For the purposes of this sub-paragraph:
 - (i) where an enterprise of a Contracting State carrying on offshore activities in the other Contracting State is associated with another enterprise carrying on substantially similar offshore activities there, the former enterprise shall be deemed to be carrying on all such activities of the latter enterprise, with the exception of activities which are carried on at the same time as its own activities;
 - (ii) an enterprise shall be regarded as associated with another enterprise if one participates directly or indirectly in the management, control or capital of the other, or if the same person or persons participate directly or indirectly in the management, control or capital of both enterprises;
 - (b) to production activities to which the provisions of Article 24 of this Convention apply.

(6) Profits derived by a resident of a Contracting State from the operation, in connection with offshore activities, of ships or aircraft which are in their existing state designed primarily for the purpose of transporting supplies or personnel, or for towing or anchor handling, shall be taxable only in that State. However, the provisions of this paragraph shall not apply to profits derived during any period in which such a ship or aircraft is contracted to be used mainly for purposes other than to transport supplies or personnel to or between places where offshore activities are being carried on, or for purposes other than towing or anchor handling, as the case may be.

- (7)
- (a) Subject to sub-paragraph (b) of this paragraph, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment connected with offshore activities in the other Contracting State may, to the extent that the duties are performed offshore in that other State, be taxed in that other State.
 - (b) Where paragraph (6) of this Article applies to the profits from the operation of a ship or aircraft, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment exercised aboard that ship or aircraft shall be taxable only in the Contracting State of which the person deriving those profits is a resident.
- (8) Gains derived by a resident of a Contracting State from the alienation of:
- (a) exploration or exploitation rights; or
 - (b) property situated in the other Contracting State and used in connection with offshore activities, as defined in paragraph (2) of this Article, carried on in that other State; or
 - (c) shares deriving their value or the greater part of their value directly or indirectly from such rights or such property or from such rights and such property taken together;

may be taxed in that other State. In this paragraph “exploration or exploitation rights” means rights to assets to be produced by the exploration or exploitation of the seabed and subsoil and their natural resources in the other Contracting State, including rights to interests in or to the benefit of such assets.

ARTICLE 24

TRANSMEDIAN LINE OIL AND GAS FIELDS

(1) The provisions of this Article shall apply notwithstanding any other provisions of this Convention where the Governments of the two Contracting States have entered into an Agreement relating to the joint exploitation of a field which extends across the dividing line and that Agreement expressly provides for the application of these provisions.

(2) Irrespective of where the production installations for a field are located, a Contracting State may, subject to paragraph (3) of this Article, tax, in accordance with the laws of that State, profits from the exploitation of the field which arise to a licensee of that State and shall not tax any such profits which arise to a licensee of the other Contracting State.

(3) For the purposes of the application of the laws of a Contracting State relating to the taxation of profits arising from the exploitation of the field, a licensee shall be treated as having lifted over the production life of the field so much of the total production of that field as is attributed to that licensee under the final apportionment of the field made in accordance with an Agreement as mentioned in paragraph (1) of this Article. However, in any accounting period or chargeable period a licensee may be charged to tax only on the profits from the oil (including gas and other hydrocarbons) lifted in that or earlier periods by the licensee and on any compensation receivable by the licensee for underliftings in that or earlier periods.

(4) A Contracting State may tax gains realised on the disposal of and charge capital taxes in respect of, installations and equipment used for the joint exploitation of the field which are owned, wholly or partly, by a licensee of that State, regardless of the side of the dividing line between the two States on which the installations and equipment are situated. Where such assets are owned partly by a licensee of that State and partly by a licensee of the other Contracting State each State may tax its own licensees in respect of such part only of the gains, or charge capital taxes on such part only of the cost or value of the assets, as is proportionate to the interest of its licensees in those assets. However, a Contracting State shall not tax gains realised on the disposal of, or charge capital taxes in respect of, such assets as are wholly owned by a licensee of the other Contracting State.

(5) Any profits or gains derived, or any capital owned, by a person in his capacity as the Unit Operator for the field shall be taxable only in the Contracting State of which that Unit Operator is a licensee.

(6) In this Article:

- (a) the term “licensee” means, in the case of the United Kingdom, any person who is a licensee as defined in section 12 (1) of the Oil Taxation Act 1975, or is a party to an agreement or arrangement referred to in paragraph 5(1) of Schedule 3 to the Oil Taxation Act 1975, and in the case of Norway, any person who holds a production licence granted by the Government of Norway for the field in question, or such person who has with the approval of the Government of Norway all or any of the licensee’s rights, interests and obligations in connection with that field;
- (b) the term “field” means any petroleum reservoir or reservoirs;
- (c) the term “dividing line” means the dividing line established by the Agreement between the Governments of the two Contracting States relating to the Delimitation of the Continental Shelf between the two Countries signed at London on 10th March 1965 and the Protocol thereto signed at Oslo on 22nd December 1978 and any further Protocol thereto.

ARTICLE 25

STATFJORD FIELD RESERVOIRS

(1) The provisions of this Article shall apply to the Statfjord Field Reservoirs as defined in Article 23 of the Agreement between the Governments of the two Contracting States relating to the exploitation of the Statfjord Field Reservoirs and the offtake of petroleum therefrom signed at Oslo on 16th October 1979.

(2) Where vessels are operated to transport oil (including gas and other hydrocarbons) from installations used for the joint exploitation of the Statfjord Field Reservoirs by a partnership which includes one or more partners resident in a Contracting State and one or more partners resident in the other Contracting State any profits or gains derived or any capital owned shall be taxable, in proportion to the share of the said partners, only in the State of which each such partner is a resident.

ARTICLE 26

MURCHISON FIELD RESERVOIR

(1) The provisions of this Article shall apply to the Murchison Field Reservoir as defined in Article 23 of the Agreement between the Governments of the two Contracting States relating to the exploitation of the Murchison Field Reservoir and the offtake of petroleum therefrom signed at Oslo on 16th October 1979.

(2) Notwithstanding any other provision of this Convention the taxation of profits from the transportation, up to and through the terminal but not from the terminal, of oil (including gas and other hydrocarbons) from the Murchison Field Reservoir, and of gains realised on the disposal of, and the charging of capital taxes in respect of, installations used for such transportation shall be governed by the principles set out in paragraphs (2) and (4) as appropriate of Article 24 of this Convention.

ARTICLE 27

FRIGG FIELD

(1) The provisions of this Article shall apply to profits, gains and capital in respect of:

- (a) the Frigg Field Reservoir;
- (b) fixed installations and equipment used for the exploitation of the Frigg Field Reservoir; and
- (c) the disposal of such fixed installations and equipment.

(2) Profits from the use for other purposes of fixed installations and equipment referred to in paragraph (1)(b) of this Article, excluding the Norwegian Pipeline, shall be governed by the principles set out in paragraph (2) of Article 24 of this Convention.

(3) In this Convention:

- (a) the term “Frigg Field Reservoir” means the gas reservoir as defined in the schedule to the Agreement between the Governments of the two Contracting States relating to the amendment of the Agreement of 10th May 1976 relating to the Exploitation of the Frigg Field Reservoir and the Transmission of Gas therefrom to the United Kingdom signed at Stavanger on 25th August 1998, or any Agreement replacing that Agreement, as may be signed in the future (hereinafter referred to as the “Frigg Agreement”);
- (b) the term “Norwegian Pipeline” means the pipeline as defined in the Frigg Agreement and owned by residents of Norway in accordance with that Agreement.

(4) The provisions of Article 24 of this Convention shall have effect for the purposes of paragraphs (1) and (2) above:

- (a) in the United Kingdom, for any year of assessment, financial year or chargeable period beginning on or after 1 April 1998;
- (b) in Norway, for any year of assessment beginning on or after 1 January 1998.

ARTICLE 28

ELIMINATION OF DOUBLE TAXATION

(1) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof):

- (a) Norwegian tax payable under the laws of Norway and in accordance with the provisions of this Convention, whether directly or by deduction, on profits, income or chargeable gains from sources within Norway (excluding in the case of a dividend, tax payable in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which the Norwegian tax is computed;
- (b) in the case of a dividend paid by a company which is a resident of Norway to a company which is a resident of the United Kingdom and which controls directly or indirectly at least 10 per cent. of the voting power in the company paying the dividend credit shall take into account (in addition to any Norwegian tax for which credit may be allowed under the provisions of subparagraph (a) of this paragraph) the Norwegian tax payable by the company in respect of the profits out of which such dividend is paid.

(2) Subject to the provisions of the laws of Norway regarding the allowance as a credit against Norwegian tax of tax payable in a territory outside Norway (which shall not affect the general principle hereof)—

- (a) Where a resident of Norway derives income or owns elements of capital which, in accordance with the provisions of this Convention, may be taxed in the United Kingdom, Norway shall allow:
 - (i) as a deduction from the tax on the income of that resident, an amount equal to the United Kingdom tax paid on that income;
 - (ii) as a deduction from the tax on the capital of that resident, an amount equal to the United Kingdom tax paid on elements of capital;

such deduction in either case shall not, however, exceed that part of the Norwegian tax, as computed before the deduction is given, which is attributable, as the case may be, to the income or the same elements of capital which may be taxed in the United Kingdom.

- (b) Where in accordance with any provision of this Convention income derived or capital owned by a resident of Norway is exempt from tax in Norway, Norway may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

(3) For the purposes of paragraph (1) of this Article income, profits and capital gains owned by a resident of the United Kingdom which may be taxed in Norway in accordance with this Convention shall be deemed to arise from sources in Norway.

ARTICLE 29

NON-DISCRIMINATION

(1) Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, in particular with respect to residence, are or may be subjected.

(2) The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

(3) Except where the provisions of paragraph (1) of Article 9, paragraph (4) or (5) of Article 11, paragraph (4) or (5) of Article 12, or paragraph (4) or (5) of Article 21 of this Convention apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.

(4) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.

(5) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

ARTICLE 30

MUTUAL AGREEMENT PROCEDURE

(1) Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph (1) of Article 29, to that of the Contracting State of which he is a national.

(2) The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with this Convention.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Convention. They may also consult together to consider measures to counteract improper use of the provisions of this Convention.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

ARTICLE 31

EXCHANGE OF INFORMATION

(1) The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is not contrary to this Convention, in particular, to prevent fraud and to facilitate the administration of statutory provisions against legal avoidance. The exchange of information is not restricted by Article 1 of this Convention. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

(2) In no case shall the provisions of paragraph (1) of this Article be construed so as to impose on a Contracting State the obligation:

- (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- (b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy (ordre public).

ARTICLE 32

MEMBERS OF DIPLOMATIC OR PERMANENT MISSIONS AND CONSULAR POSTS

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic or permanent missions or consular posts under the general rules of international law or under the provisions of special agreements.

ARTICLE 33

LIMITATION OF RELIEF

(1) Where under any provisions of this Convention income is relieved from Norwegian tax and, under the law in force in the United Kingdom, an individual, in respect of the said income is subject to tax by reference to the amount thereof which is remitted to or received in the United Kingdom and not by reference to the full amount thereof, then the relief to be allowed under this Convention in Norway shall apply only to so much of the income as is taxed in the United Kingdom.

(2) Where under Article 13 of this Convention gains are relieved from tax in Norway and, under the law in force in the United Kingdom, an individual is subject to tax in respect of those gains by reference to the amount thereof which is remitted to or received in the United Kingdom and not by reference to the full amount thereof, then the relief to be allowed under this Convention in Norway shall apply only to so much of the gains as are taxed in the United Kingdom.

ARTICLE 34

ENTRY INTO FORCE

(1) Each of the Contracting States shall notify to the other, through diplomatic channels, the completion of the procedures required by its law for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

- (a) in the United Kingdom:
 - (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which this Convention enters into force;
 - (ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which this Convention enters into force; and
 - (iii) in respect of petroleum revenue tax, for any chargeable period beginning on or after 1st January in the calendar year next following that in which this Convention enters into force;
- (b) in Norway:
 - in respect of taxes on income or capital relating to any calendar year beginning on or after 1st January in the calendar year next following that in which this Convention enters into force (including accounting periods beginning in any such year).

(2) The Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital signed at Oslo on 3rd October 1985 shall terminate and cease to be effective from the date upon which this Convention has effect in respect of the taxes to which this Convention applies in accordance with the provisions of paragraph (1) of this Article.

ARTICLE 35

TERMINATION

(1) This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate this Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year beginning after the expiry of five years from the date of entry into force of this Convention. In such event, this Convention shall cease to have effect:

- (a) in the United Kingdom:
 - (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the notice is given;
 - (ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the notice is given;
 - (iii) in respect of the petroleum revenue tax, for any chargeable period beginning on or after 1st January in the calendar year next following that in which the notice is given;
- (b) in Norway:
 - in respect of taxes for any year of assessment chargeable on capital or income of the calendar year (including accounting periods beginning in any such year) next following that in which the notice of termination is given, and subsequent years.

(2) Notwithstanding the termination of this Convention in accordance with paragraph (1) of this Article this Convention shall in any event continue to apply to:

- (a) the joint exploitation of a field referred to in Article 24 of this Convention; and
- (b) the profits of a person who is a resident of Norway from the transmission of Norwegian petroleum through the Norwegian Pipeline.

(3) For the purposes of paragraph (2) of this Article the term "Norwegian petroleum" means any petroleum:

- (a) extracted from fields wholly within Norway, as defined in paragraph (1)(b) of Article 3 of this Convention; or
- (b) extracted from fields extending across the dividing line, as defined in paragraph (6)(c) of Article 24 of this Convention, which is attributable to licensees of the Kingdom of Norway in accordance with any agreement relating to the joint exploitation of the field.

In witness whereof the undersigned, duly authorised thereto by their respective Governments, have signed this Convention.

Done in duplicate at London this 12th day of October 2000, in the English and Norwegian languages, both texts being equally authoritative.

For the Government of the
United Kingdom of Great Britain and
Northern Ireland:
Stephen C Timms

For the Government of the
Kingdom of Norway:
Tarald O Brautaset

PART II
EXCHANGE OF NOTES

London
12th October 2000

Excellency

I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital which has been signed today and to make on behalf of the Government of the United Kingdom the following proposal:

Where, under the terms of paragraph (6) of Article 10, paragraph (5) of Article 11, paragraph (5) of Article 12 or paragraph (5) of Article 21 of this Convention, the provisions of the Article in question do not apply to an item of income, then that income may be taxed in both Contracting States in accordance with the domestic law of each State.

If the foregoing proposal is acceptable to the Government of the Kingdom of Norway, I have the honour to suggest that the present Note and Your Excellency's reply to that effect should be regarded as constituting an agreement between the two Governments in this matter, which shall enter into force at the same time as the entry into force of the Convention.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

Stephen C Timms

London
12th October 2000

Excellency

I have the honour to acknowledge receipt of Your Excellency's Note of today which reads as follows:

"I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital which has been signed today and to make on behalf of the Government of the United Kingdom the following proposal:

Where, under the terms of paragraph (6) of Article 10, paragraph (5) of Article 11, paragraph (5) of Article 12 or paragraph (5) of Article 21 of this Convention, the provisions of the Article in question do not apply to an item of income, then that income may be taxed in both Contracting States in accordance with the domestic law of each State.

If the foregoing proposal is acceptable to the Government of the Kingdom of Norway, I have the honour to suggest that the present Note and Your Excellency's reply to that effect should be regarded as constituting an agreement between the two Governments in this matter, which shall enter into force at the same time as the entry into force of the Convention."

The foregoing proposals being acceptable to the Government of the Kingdom of Norway, I have the honour to confirm that Your Excellency's Note and this reply shall be regarded as constituting an agreement between the two Governments in this matter which shall enter into force at the same time as the entry into force of the Convention.

I take this opportunity to renew to Your Excellency the assurances of my highest consideration.

Tarald O Brautaset

EXPLANATORY NOTE

(This note is not part of the Order)

The Convention with Norway set out in the Schedule to this Order replaces the Convention signed on 3rd October 1985 and set out in the Schedule to the Double Taxation Relief (Taxes on Income) Order (S.I. 1985/1998).

The Convention provides for business profits not arising through a permanent establishment to be taxed only in the country of the taxpayer's residence. Profits attributable to a permanent establishment may be taxed in the country in which the permanent establishment is situated (Articles 5 and 7).

Income from immovable property and gains derived from the alienation of such property may be taxed in the country in which the property is situated (Articles 6 and 13).

Shipping and air transport profits are generally to be taxed only in the country of residence of the operator (Article 8).

The Convention includes rules for determining taxable profits when a company in one country is related to a company in the other (Article 9).

The rate of tax imposed in the country of source on dividends derived by a resident of the other country is not to exceed 5 per cent. of the gross amount of the dividends when the beneficial owner is a company controlling at least 10 per cent. of the voting power in the company paying the dividends. In all other cases the rate of tax shall not exceed 15 per cent. of the gross amount of the dividends (Article 10).

In general, interest and royalties are to be taxed only in the country in which the beneficial owner is resident (Articles 11 and 12).

Capital gains arising from the disposal of movable property are normally to be taxed only in the country of the taxpayer's residence. Gains arising from the disposal of assets of a permanent establishment or fixed base which the taxpayer has in the other country may be taxed in that other country (Article 13).

The earnings of temporary business visitors and some other individuals are, subject to certain conditions, to be taxed only in the country of the taxpayer's residence (Articles 14 and 15). This general rule will not apply in circumstances where an employee and employer are resident in one country, the employment is exercised in the other country and the employer bears no responsibility for the services rendered by the employee who operates under the supervision and control of a person other than the employer. Instead the remuneration of that employee may also be taxed in the country in which the employment is exercised.

Fees received by a resident of one country in his capacity as a director of a company resident in the other country may be taxed in the latter country (Article 16). Income derived from the activities of artistes and sportsmen may, with certain exemptions, be taxed in the country in which those activities are exercised (Article 17). Pensions (other than those paid in respect of Government service) and annuities are to be taxed only in the recipient's country of residence (Article 18). Government Service remuneration and pensions are normally taxable only by the paying Government (Article 19). Certain payments made to visiting students and business apprentices are to be exempt from tax in the country visited (Article 20).

Other income not specified in the Convention will in most cases be taxed only by the country of which the beneficial owner is a resident (Article 21).

The Capital Article (Article 22) reflects the existence of a capital tax in Norway and provides that capital represented by immovable property may be taxed in the country in which the property is situated. Capital represented by movable property is normally to be taxed only in the taxpayer's country of residence. Capital represented by assets of a permanent establishment or fixed base which the taxpayer has in the other country, may be taxed in the other country.

Special rules are included in respect of income or profits from activities connected with offshore oil and gas exploration. Trading profits from such activities are deemed to arise through a permanent establishment or fixed base and, subject to a de minimis time rule, may be taxed in the country where the activities are carried on. Employees may, in general, be taxed

in the country in which the employment is exercised. There are also special provisions covering capital gains on the disposal of offshore mineral exploration and exploitation rights and assets (Article 23).

The Convention also includes special rules for the avoidance of double taxation of production profits from certain oil and gas fields in the North Sea, which extend across the dividing line between the United Kingdom and Norwegian sectors of the continental shelf (Articles 24 to 27).

Where income continues to be taxable in both countries, credit will be given by the country of the taxpayer's residence in respect of tax imposed by the other country (Article 28).

There are provisions safeguarding nationals and enterprises of one country against discriminatory taxation in the other country (Article 29). Provision is made for consultation and exchange of information between the taxation authorities of the two countries (Articles 30 and 31).

The Exchange of Notes clarifies the intended interpretation of certain parts of the Convention.

The Convention will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures. The Convention is to take effect in the United Kingdom from 1st April in respect of corporation tax and from 6th April for income tax and capital gains tax in the calendar year next following that in which it enters into force. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes*.