
EXPLANATORY NOTE

(This note is not part of the Order)

The Schedule to this Order contains a Protocol (“the Protocol”) which amends the agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Georgia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital (“the Agreement”). The Agreement was scheduled to the Double Taxation Relief (Taxes on Income) (Georgia) Order 2004 ([S.I. 2004/3325](#)). This Order brings the Protocol into effect.

The Agreement aims to eliminate the double taxation of income or gains arising in one country and paid to residents of the other country. It does this by allocating the taxing rights that each country has under its domestic law over the same income and gains, and/or by providing relief from double taxation. It also has specific measures which combat discriminatory tax treatment and provide for assistance in international tax enforcement. The Protocol continues that approach.

The Protocol amends Article 3 of the Agreement to include a definition of “pension scheme”. Article 5 is amended to extend to 12 months the time limit after which a building site or construction project will constitute a permanent establishment. Article 10 is amended to provide for dividends, other than those paid by property investment vehicles, to be paid free of withholding tax.

Article 1 provides for citation.

Article 2 makes a declaration as to the effect and content of the arrangements set out in the Protocol.

The Protocol will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures. It will have effect:

- (a) in respect to taxes chargeable in Georgia, for any fiscal year beginning on or after 1st January in the year next following the date of entry into force;
- (b) in respect to income tax and capital gains tax in the United Kingdom, for any year of assessment beginning on or after 6th April in the year next following the date of entry into force; and
- (c) in respect to corporation tax in the United Kingdom, for any financial year beginning on or after 1st April in the year next following the date of entry into force.

The date of entry into force will, in due course, be published in the *London, Edinburgh and Belfast Gazettes*.

A full and final Impact Assessment has not been produced for this Order as a negligible impact on the private or voluntary sectors is foreseen.