The Double Taxation Relief (Taxes on Income) (France) Order, 1951

1951 No. 1388

Made - - - - 1*st August,* 1951

At the Court at Buckingham Palace, the 1st day of August, 1951

Present,

The King's Most Excellent Majesty in Council.

Whereas it is provided by subsection (1) of section fifty-one of the Finance (No. 2) Act, 1945(a), that if His Majesty by Order in Council declares that arrangements specified in the Order have been made with the Government of any territory outside the United Kingdom with a view to affording relief from double taxation in relation to income tax or profits tax and any taxes of a similar character imposed by the laws of that territory, and that it is expedient that those arrangements should have effect, the arrangements shall have effect to the extent specified in that subsection:

And Whereas under certain other provisions of Part V of the said Act certain other consequences ensue on the making of any such Order:

And Whereas a draft of this Order was laid before the Commons House of Parliament in accordance with the provisions of subsection (2) of section fifty-six of the said Act and an Address has been presented to His Majesty by that House praying that an Order may be made in the terms of this Order:

Now, therefore, His Majesty, in exercise of the powers conferred on Him by subsection (1) of the said section fifty-one and of all other powers enabling Him in that behalf, is pleased, by and with the advice of His 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) (France) Order, 1951.

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 French Republic with a view to affording relief from double taxation in relation to income tax or profits tax and taxes of a similar character imposed by the laws of France ; and

(*b*) that it is expedient that those arrangements should have effect.

F. J. Fernau.

(a) 9 & 10 Geo. 6. c. 13.

SCHEDULE

CONVENTION BETWEEN HIS MAJESTY IN RESPECT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE PRESIDENT OF THE FRENCH REPUBLIC FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME.

His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas and the President of the French Republic,

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

Have appointed for that purpose as their Plenipotentiaries:—

His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas:

For the United Kingdom of Great Britain and Northern Ireland:

His Excellency Sir Oliver Charles Harvey, G.C.M.G., G.C.V.O., C.B., His Ambassador Extraordinary and Plenipotentiary in Paris;

The President of the French Republic:

His Excellency Monsieur Alexandre Parodi, Ambassador of the French Republic, General Secretary for Foreign Affairs;

Who, having exhibited their respective full powers, found in good and due form, have agreed as follows:—

ARTICLE I

(1) The taxes which are the subject of the present Convention are:—

(*a*) In France:—

The tax on the income of individuals (proportional tax and progressive sur-tax), the tax on the income of companies and the tax on undistributed profits under Article 14 of the law of 31st January, 1950 (hereinafter referred to as "French tax");

(*b*) In the United Kingdom of Great Britain and Northern Ireland:—

The income tax (including sur-tax) and the profits tax (hereinafter referred to as "United Kingdom tax").

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed in France or the United Kingdom subsequently to the date of signature of the present Convention.

ARTICLE II

(1) In the present Convention, unless the context otherwise requires:—

(*a*) The term "United Kingdom" means Great Britain and Northern Ireland, excluding the Channel Islands and the Isle of Man;

(*b*) The term "France" means metropolitan France, and excludes Algeria, the overseas departments, and other territories of the French Union;

(*c*) The terms "one of the territories" and "the other territory" mean the United Kingdom or France, as the context requires;

(*d*) The term "tax" means United Kingdom tax or French tax, as the context requires;

(*e*) The term "person" means:—

(i) any physical person;

(ii) any unincorporated body of physical persons; and

(iii) any body corporate;

(*f*) The term "company" means any body corporate;

(*g*) The terms "resident of the United Kingdom" and "resident of France" mean respectively any person who is resident in the United Kingdom for the purposes of United Kingdom tax and who has not his fiscal domicile for the purposes of French tax in France and any person whose fiscal domicile for the purposes of French tax is in France and who is not resident in the United Kingdom for the purposes of United Kingdom tax; a company shall be regarded as resident in the United Kingdom if its business is managed and controlled in the United Kingdom and as having its fiscal domicile in France if its business is managed and controlled in France;

(*h*) The terms "resident of one of the territories" and "resident of the other territory" mean a person who is a resident of the United Kingdom or a person who is a resident of France as the context requires;

(*i*) The terms "United Kingdom enterprise" and "French enterprise" mean respectively an industrial or commercial enterprise or undertaking carried on by a resident of the United Kingdom and an industrial or commercial enterprise or undertaking carried on by a resident of France; and the terms "enterprise of one of the territories" and "enterprise of the other territory" mean a United Kingdom enterprise or a French enterprise, as the context requires;

(*j*) The term "industrial or commercial profits" includes in particular profits arising from the business of insurance companies, banks, and other financial enterprises;

(*k*) The term "permanent establishment", when used with respect to an enterprise of one of the territories, means a branch, management, factory, or other fixed place of business in which is exercised, in whole or in part, the activity of the enterprise, but does not include an agency unless the agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of such enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. In this connexion:—

(i) An enterprise of one of the territories shall not be deemed to have a permanent establishment in the other territory merely because it carries on business dealings in that other territory through a *bona fide* broker or general commission agent acting in the ordinary course of his business as such;

(ii) The fact that an enterprise of one of the territories maintains in the other territory a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute that fixed place of business a permanent establishment of the enterprise;

(iii) The fact that a company which is a resident of one of the territories has a subsidiary company which is a resident of the other territory or which carries on a trade or business in that other territory (whether through a permanent establishment or otherwise) shall not of itself constitute that subsidiary company a permanent establishment of its parent company;

(*l*) The term "taxation authorities" means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative; in the case of France, the Director General of Taxes (Directeur Général des Impôts) or his authorised representative; and, in the case of any territory to which the present Convention is extended under Article XXIII, the competent authority for the administration in such territory of the taxes to which the present Convention applies.

(2) Where the present Convention provides that income from a source in one of the territories shall be exempt from tax in that territory if (with or without other conditions) it is subject to tax in the other territory, and under the law in force in that other territory the said income is subject to tax by reference to the amount thereof which is remitted to or received in that other territory and not by reference to the full amount thereof, then the exemption to be allowed under this Convention in the first mentioned territory shall apply only to so much of the income as is remitted to or received in the other territory.

(3) In the application of the provisions of the present Convention by one of the High Contracting Parties any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws in force in the territory of that Party relating to the taxes which are the subject of the present Convention.

ARTICLE III

(1) The industrial or commercial profits of a United Kingdom enterprise shall not be subject to French tax unless the enterprise carries on a trade or business in France through a permanent establishment situated therein. If it carries on a trade or business as aforesaid, tax may be imposed on those profits by France but only on so much of them as is attributable to that permanent establishment; provided that nothing in this paragraph shall affect the provisions of the law of France, as it stands at the date of signature of this Convention, as respects the taxation of profits of non-residents from the business of insurance.

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

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

(4) Where an enterprise of one of the territories derives profits, under contracts concluded in that territory, from sales of goods or merchandise stocked in a warehouse in the other territory for convenience of delivery and not for purposes of display, those profits shall not be attributed to a permanent establishment of the enterprise in that other territory, notwithstanding that the offers of purchase have been obtained by an agent in that other territory and transmitted by him to the enterprise for acceptance.

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

ARTICLE IV

A company which is a resident of the United Kingdom and which carries on a trade or business in France through a permanent establishment situated therein and which is liable to the tax on income from movable capital under Article 39, paragraph 11 of the Decree No. 48—1986, of 9th December, 1948, shall not be charged to that tax on income exceeding the amount of the profits or gains arising in France and chargeable in accordance with Article III.

ARTICLE V

Where

(*a*) an enterprise of one of the territories participates directly or indirectly in the management, control or capital of an enterprise of the other territory, or

(*b*) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the territories and an enterprise of the other territory,

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 these conditions have not so accrued may be included in the profits of that enterprise and taxed accordingly.

ARTICLE VI

Where a company which is a resident of the United Kingdom derives industrial and commercial profits from a permanent establishment in France, and these profits are chargeable both to the tax on undistributed profits under Article 14 of the law of 31st January, 1950, and to the tax on income from movable capital, the incidence of these two taxes shall not result in a total charge greater than 10 per cent. on the amount of the profits chargeable to these two taxes in accordance with Article III. In consequence, the rate of the tax on income from movable capital shall be reduced to 10 per cent.

If, hereafter, the tax on undistributed profits is not imposed, or if it is imposed at a rate different from the rate in force at the date of signature of the present Convention, the taxation authorities of the two High Contracting Parties shall consult together in that event with a view to fixing the appropriate rate of the tax on income from movable capital.

ARTICLE VII

Profits distributed by a company which is a resident of France to a company which is a resident of the United Kingdom and which has owned for a year registered shares (actions ou parts d'intérêt) representing at least 50 per cent. of the capital of the former company shall be charged to the tax on income from movable capital at the rate determined in accordance with Article VI.

ARTICLE VIII

Notwithstanding the provisions of Articles III, IV, V and VI, profits which a resident of one of the territories derives from operating ships or aircraft shall be exempt from tax in the other territory.

ARTICLE IX

Dividends and interest paid by a company which is a resident of the United Kingdom to a resident of France, who is subject to tax in France in respect thereof and does not carry on trade or business in the United Kingdom through a permanent establishment situated therein, shall be exempt from United Kingdom sur-tax.

ARTICLE X

(1) Any royalty derived from sources within one of the territories by a resident of the other territory, who is subject to tax in that other territory in respect thereof and does not carry on a trade or business in the first-mentioned territory through a permanent establishment situated therein, shall be exempt from tax in that first-mentioned territory.

(2) In this Article the term " royalty " means any royalty or other amount paid as consideration for the use of, or for the privilege of using, any copyright, patent, design, secret process or formula, trade mark or other like property, and includes rents in respect of cinematograph films, but does not include any royalty or other amount paid in respect of the operation of a mine or quarry or of any other extraction of natural resources.

(3) Where any royalty exceeds a fair and reasonable consideration in respect of the rights for which it is paid, the exemption provided by the present Article shall apply only to so much of the royalty as represents such fair and reasonable consideration.

(4) Any capital sum derived from sources within one of the territories from the sale of patent rights by a resident of the other territory, who does not carry on a trade or business in the first-mentioned territory through a permanent establishment situated therein, shall be exempt from tax in that first-mentioned territory.

ARTICLE XI

A resident of one of the territories who does not carry on a trade or business in the other territory through a permanent establishment situated therein shall be exempt in that other territory from any tax in respect of gains from the sale, transfer, or exchange of capital assets.

ARTICLE XII

(1) Income derived from real property in one of the territories by a resident of the other territory shall be subject to tax in accordance with the laws of the first-mentioned territory. Where the income is also subject to tax in the other territory, relief from double taxation shall be given in accordance with the provisions of Article XX.

(2) In this Article, the term "income from real property" means income of whatever nature derived from real property, and includes royalties or any other amounts paid in respect of the operation of mines or quarries or any other extraction of natural resources.

ARTICLE XIII

(1) Remuneration, including pensions, paid by or out of funds created by one of the High Contracting Parties to any individual for services rendered to that Party in the discharge of governmental functions shall be exempt from tax in the territory of the other High Contracting Party, unless the individual is a national of that other Party without being also a national of the first-mentioned Party.

(2) The following pensions shall be exempt from United Kingdom tax, regardless of the nationality of the pensioner, so long as they are exempt from French tax:—

(*a*) Pensions granted by virtue of the law of the 31st March, 1919, to all those persons who since the 2nd August, 1914, have become entitled to military pensions by reason of disabilities resulting whether from hostilities or from ailments or accidents occurring on service;

(*b*) Pensions granted by virtue of the combined provisions of the law of the 31st March, 1919, and of Article 1 of the law of the 22nd June, 1927, to retired soldiers and sailors by reason of wounds received or disabilities or ailments contracted on service before the 2nd August, 1914;

Provided that paragraph (1) of this Article shall apply to such part of the mixed pensions provided for in Article 60-2° of the law of the 31st March, 1919, as relates to length of service and is not exempted from French tax.

(3) The following pensions shall be exempt from French tax, regardless of the nationality of the pensioner, so long as they are exempt from United Kingdom tax:—

(*a*) Wounds pensions granted to members of the naval, military or air forces of the Crown;

(*b*) Retired pay of disabled officers granted on account of medical unfitness attributable to or aggravated by naval, military or air force service;

(*c*) Disablement or disability pensions granted to members, other than commissioned officers, of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air force service;

(*d*) Disablement pensions granted to persons who have been employed in the nursing services of any of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air force service;

(*e*) Injury and disablement pensions payable under any scheme made under the Injuries in War (Compensation) Act, 1914(a), the Injuries in War Compensation Act, 1914 (Session 2)(b), the Injuries in War (Compensation) Act, 1915(c), the Pensions (Navy, Army, Air Force and Mercantile Marine) Act, 1939(d), the Personal Injuries (Emergency Provisions) Act, 1939(e), or under any War Risks Compensation Scheme for the Mercantile Marine;

Provided that paragraph (1) of this Article shall apply to such part of any income from those pensions as is not exempted from United Kingdom tax.

(4) The provisions of paragraph (1) of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the High Contracting Parties for purposes of profit.

ARTICLE XIV

(1) An individual who is a resident of the United Kingdom shall be exempt from French tax on profits or remuneration in respect of personal (including professional) services performed within France in any year of assessment if

(*a*) he is present within France for a period or periods not exceeding in the aggregate 183 days during that year, and

(*b*) (i) in the case of an employment, the services are performed on behalf of a person who is a resident of the United Kingdom;

(ii) in other cases, he has no office or other fixed place of business in France, and

(*c*) the profits or remuneration are subject to United Kingdom tax.

(2) An individual who is a resident of France shall be exempt from United Kingdom tax on profits or remuneration in respect of personal (including professional) services performed within the United Kingdom in any year of assessment if

(*a*) he is present within the United Kingdom for a period or periods not exceeding in the aggregate 183 days during that year, and

(*b*) (i) in the case of an employment, the services are performed on behalf of a person who is a resident of France;

(ii) in other cases he has no office or other fixed place of business in the United Kingdom, and

(*c*) the profits or remuneration are subject to French tax.

(3) The provisions of this Article shall not apply to the profits or remuneration of public entertainers such as stage, motion picture or radio artists, musicians and athletes.

ARTICLE XV

(1) Any pension (other than a pension of the kind referred to in paragraph (1) or (2) of Article XIII) and any annuity, derived from sources within France by an individual who is a resident of the United Kingdom and subject to United Kingdom tax in respect thereof, shall be exempt from French tax.

(2) Any pension (other than a pension of the kind referred to in paragraph (1) or (3) of Article XIII) and any annuity, derived from sources within the United Kingdom by an individual who is a resident of France and subject to French tax in respect thereof, shall be exempt from United Kingdom tax.

(3) The term "annuity" means a stated sum payable periodically at stated times, during 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.

(a) 4 & 5 Geo. 5. c. 30. (b) 5 & 6 Geo. 5. c. 18. (c) 5 & 6 Geo. 5. c. 24.
(d) 2 & 3 Geo. 6. c. 83. (e) 2 & 3 Geo. 6. c. 82.

ARTICLE XVI

Nothing in the present Convention shall affect the provisions of the Code Général des Impôts regarding the tax payable by individuals who have not their fiscal domicile in France, but have a residence in France. Subject to these provisions, a resident of the United Kingdom shall not be chargeable to French progressive sur-tax in respect of income from sources in France.

ARTICLE XVII

A professor or teacher from one of the territories who receives remuneration for teaching, during a period of temporary residence not exceeding two years, at a university, college, school or other educational institution in the other territory, shall be exempt from tax in that other territory in respect of that remuneration.

ARTICLE XVIII

A student or business apprentice from one of the territories who is receiving full-time education or training in the other territory shall be exempt from tax in that other territory on payments made to him by persons resident in the first-mentioned territory for the purposes of his maintenance, education or training.

ARTICLE XIX

In the application of paragraph (4) of Article XXII, the High Contracting Parties have agreed as follows:—

(1) Individuals who are residents of France shall be entitled to the same personal allowances, reliefs and reductions for the purposes of United Kingdom income tax as British subjects not resident in the United Kingdom.

(2) Individuals who are residents of the United Kingdom shall be entitled for the purposes of French tax to the same reductions of taxes or charges, basic abatements, and allowances on account of family responsibilities as French nationals.

ARTICLE XX

(1) The laws of the High Contracting Parties shall continue to govern the taxation of income arising in either of the territories, except where express provision to the contrary is made in the present Convention. Where income is subject to tax in both territories, relief from double taxation shall be given in accordance with the following paragraphs:—

(2) 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, French tax payable, whether directly or by deduction, in respect of income from sources within France shall be allowed as a credit against any United Kingdom tax payable in respect of that income. Where such income is a dividend paid by a company resident in France to a company resident in the United Kingdom which controls, directly or indirectly, not less than one-half of the voting power in the former company, the credit shall take into account (in addition to any French tax appropriate to the dividend) the French tax payable by the company in respect of its profits.

(3) (*a*) Subject to the provisions of subparagraph (*b*) of this paragraph, income derived by a person who is a resident of France (whether or not that person is resident in the United Kingdom for the purposes of United Kingdom tax) from sources in the United Kingdom which, under the laws of the United Kingdom and in accordance with this Convention, is subject to tax in the United Kingdom either directly or by deduction, shall be exempt from the French proportional tax on the income of individuals, or, as the case may be, from French tax on companies.

(*b*) Where the income consists of dividends or interest derived from a company which is a resident of the United Kingdom by a person who is a resident of France (whether or not that person is resident in the United Kingdom for the purposes of United Kingdom tax) and the income is subject to United Kingdom tax, either directly or by deduction, it shall be exempt from the French tax on income from movable capital, United Kingdom tax being regarded as wholly covering that tax in view of its rate.

(*c*) In the cases referred to in subparagraph (*a*) of this paragraph, the income shall be exempt from French progressive sur-tax but, where the person receiving this income is a resident of France, the income may be taken into account in determining the effective rate of progressive sur-tax chargeable on his income other than the income referred to.

(4) For the purposes of this Article, profits or remuneration for personal (including professional) services performed in one of the territories shall be deemed to be income from sources within that territory, and the services of an individual whose services are wholly or mainly performed in ships or aircraft operated by a resident of one of the territories shall be deemed to be performed in that territory.

ARTICLE XXI

The taxation authorities of the High Contracting Parties shall exchange such information (being information which is at their disposal under their respective taxation laws in the normal course of administration) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or for the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information as aforesaid shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process.

ARTICLE XXII

(1) The nationals of one of the High Contracting Parties shall not be subjected in the territory of the other High Contracting Party to any taxation or any requirement connected therewith which is other, higher, or more burdensome than the taxation and connected requirements to which the nationals of the latter Party are or may be subjected.

(2) The enterprises of one of the territories shall not be subjected in the other territory, in respect of profits or capital attributable to their permanent establishments in that other territory, to any taxation which is other, higher or more burdensome than the taxation to which the enterprises of that other territory are or may be subjected in respect of the like profits or capital.

(3) The income, profits and capital of an enterprise of one of the territories, the capital of which is wholly or partly owned or controlled, directly or indirectly, by a resident or residents of the other territory shall not be subjected in the first-mentioned territory to any taxation which is other, higher or more burdensome than the taxation to which other enterprises of that first-mentioned territory are or may be subjected in respect of the like income, profits and capital.

(4) Nothing in paragraph (1) or (2) of this Article shall be construed as obliging either High Contracting Party to grant to nationals of the other High Contracting Party, who are not resident in the territory of the former High Contracting Party, any personal allowances, reliefs or reductions for tax purposes. Each of the High Contracting Parties shall adhere to its own legislation in this respect, subject to any special agreements which may be made between them determining the arrangements to be applied.

(5) In this Article the term " nationals " means—

(*a*) in relation to France all French subjects and French protected persons residing in France or in any French territory to which the present Convention applies by reason of extension made under Article XXIII and all legal persons, partnerships and associations deriving their status as such from the law in force in any French territory to which the present Convention applies.

(*b*) in relation to the United Kingdom, all British subjects and British protected persons residing in the United Kingdom or in any British territory to which the present Convention applies by reason of extension made under Article XXIII and all legal persons, partnerships and associations deriving their status as such from the law in force in any British territory to which the present Convention applies.

(6) In this Article the term " taxation " means taxes of every kind and description levied on behalf of any authority whatsoever.

ARTICLE XXIII

(1) The present Convention may be extended, either in its entirety or with modifications, to any territory of one of the High Contracting Parties to which this Article applies and which imposes taxes substantially similar in character to those which are the subject of the present Convention, and any such extension shall take effect from such date and subject to such modifications and conditions (including conditions as to termination) as may be specified and agreed between the High Contracting Parties in notes to be exchanged for this purpose.

(2) The termination in respect of France or the United Kingdom of the present Convention under Article XXVI shall, unless otherwise expressly agreed by both High Contracting Parties, terminate the application of the present Convention to any territory to which the Convention has been extended under this Article.

(3) The territories to which this Article applies are:—

(*a*) in relation to His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas:

Any territory other than the United Kingdom for whose international relations the United Kingdom is responsible:

(*b*) in relation to the President of the French Republic:

Any department, protectorate or other overseas territory, for whose international relations France is responsible.

ARTICLE XXIV

On the entry into force of the present Convention the following agreements between the High Contracting Parties shall be terminated in respect of the territories to which the Convention applies:—

(1) The agreement constituted by Exchange of Notes dated the 1st October, 1932(a), for the exemption from taxation of profits accruing from the business of shipping;

(2) The Agreement dated the 9th April, 1935(b), for the reciprocal exemption from income tax of profits arising from the business of air transport;

(3) The Agreement dated the 19th October, 1945(c), for relief from double taxation in certain circumstances, exclusive of the Protocol of Signature to that Agreement;

(a) S.R. & O. 1932 (No. 1059) p. 598. (b) S.R. & O. 1939 (No. 1590) II, p. 1745.
(c) S.R. & O. 1947 (No. 164) I, p. 1096.

and the provisions of those Agreements (other than the Protocol of Signature to the last-mentioned Agreement) shall cease to have effect:—

(*a*) In the United Kingdom, as respects income tax for the year of assessment beginning on the 6th April, 1950, and subsequent years, and as respects sur-tax for the year of assessment beginning on the 6th April, 1949, and subsequent years;

(*b*) In France, as respects taxes charged in respect of the year 1950 and subsequent years.

ARTICLE XXV

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at London as soon as possible.

(2) The present Convention shall enter into force upon exchange of ratifications and the foregoing provisions thereof shall have effect:—

(*a*) In the United Kingdom:

as respects income tax for any year of assessment beginning on or after the 6th April, 1950;

as respects sur-tax for any year of assessment beginning on or after the 6th April, 1949; and

as respects profits tax in respect of the following profits—

(i) profits arising in any chargeable accounting period beginning on or after the 1st April, 1950;

(ii) profits attributable to so much of any chargeable accounting period falling partly before and partly after that date as falls after that date;

(iii) profits not so arising or attributable by reference to which income tax is, or but for the present Convention would be, chargeable for any year of assessment beginning on or after the 6th April, 1950;

(*b*) In France:

as respects taxes charged in respect of the year 1950 and subsequent years, and as respects the undistributed profits tax. Nevertheless, so far as income other than that referred to in Article X of the present Convention is concerned, no repayment shall be made of tax on income from movable capital, which has been deducted in France at the time of payment of the said income and before the date of exchange of ratifications of the present Convention.

ARTICLE XXVI

The present Convention shall continue in force indefinitely but either of the High Contracting Parties may, on or before the 30th June in any calendar year not earlier than the year 1954, give to the other High Contracting Party, through diplomatic channels, written notice of termination and, in such event, the present Convention shall cease to be effective:—

(*a*) In the United Kingdom:

as respects income tax for any year of assessment beginning on or after the 6th April in the calendar year next following that in which the notice is given;

as respects sur-tax for any year of assessment beginning on or after the 6th April in the calendar year in which the notice is given; and

as respects profits tax in respect of the following profits—

(i) profits arising in any chargeable accounting period beginning on or after the 1st April in the calendar year next following that in which the notice is given;

(ii) profits attributable to so much of any chargeable accounting period falling partly before and partly after that date as falls after that date;

(iii) profits not so arising or attributable by reference to which income tax is chargeable for any year of assessment beginning on or after the 6th April in the next following calendar year;

(*b*) In France:

as respects taxes charged in respect of the year following the calendar year during which the said notice is given.

In witness whereof the above-mentioned Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

Done at Paris in duplicate, in the English and French languages, both texts being equally authoritative, on the fourteenth day of December, one thousand nine hundred and fifty.

(L.S.) *Oliver Harvey.*

(L.S.) *A. Parodi.*

EXPLANATORY NOTE

(This Note is not part of the Order, but is intended to indicate its general purport.)

Under the Convention with France which is scheduled to this Order certain classes of income derived from one country by a resident of the other country are (subject to certain conditions) to be exempt from tax in the former country. These classes are shipping and air transport profits, certain trading profits not arising through a "permanent establishment", patent and copyright royalties, pensions other than Government pensions, purchased annuities and earnings of temporary business visitors. Government salaries and pensions are normally to be taxed by the paying Government only. Remuneration of visiting professors and teachers is to be exempt in the country visited.

As regards dividends, the Convention provides that the rate of French tax on distributions by a United Kingdom company from profits earned through a "permanent establishment" in France shall not exceed 10 per cent. Similarly, the rate of French tax on dividends received by a United Kingdom company from a French company in which it holds shares representing at least 50 per cent. of the capital is not to exceed 10 per cent. Individuals resident in the United Kingdom are to be exempt from French progressive sur-tax on dividends and other income received from France. Dividends and interest received by French residents from United Kingdom companies are to be exempt from United Kingdom sur-tax.

Residents of France will be entitled to the same personal allowances as British subjects resident abroad and corresponding arrangements are extended by France to British residents. Where income continues to be taxable in both countries, relief from double taxation is to be given by the country of the taxpayer's residence by reference to the tax payable in the country of origin of the income.

The Convention is to take effect for the fiscal year 1950-51.