STATUTORY INSTRUMENTS

1961 No. 577

INCOME TAX

The Double Taxation Relief (Taxes on Income) (Sweden) Order, 1961

Laid before the House of Commons in draft
Made - - - - 24th March, 1961

At the Court at Buckingham Palace, the 24th day of March, 1961

Present,

The Queen's Most Excellent Majesty in Council

Whereas a draft of this Order was laid before the Commons House of Parliament in accordance with the provisions of subsection (6) of section three hundred and forty-seven of the Income Tax Act, 1952(a), and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of this Order:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by subsection (1) of the said section three hundred and forty-seven 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) (Sweden) Order, 1961.

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 Sweden 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 Sweden; and

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

W. G. Agnew.

SCHEDULE

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

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

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

Have agreed as follows:

(a) 15 & 16 Geo. 6 & 1 Eliz. 2. c. 10.

ARTICLE I

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

(*a*) In Sweden:

(i) the State income tax, including sailors tax and coupon tax;

(ii) the tax on the undistributed profits of companies (ersättningsskatt);

(iii) the tax on public entertainers (bevillningsavgifterna för särskilda förmåner och rättigheter);

(iv) the communal income tax (kommunal inkomstskatt); and

(v) the State capital tax

(hereinafter referred to as "Swedish tax").

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

(i) the income tax (including surtax); and

(ii) the profits tax

(hereinafter referred to as "United Kingdom tax").

(2) This Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes.

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 terms "one of the territories" and "the other territory" mean the United Kingdom or Sweden, as the context requires;

(*c*) the term "taxation authorities" means, in the case of Sweden, the Minister of Finance or his authorised representative; in the case of the United Kingdom the Commissioners of Inland Revenue or their authorised representative; and, in the case of any territory to which this Convention is extended under Article XXVIII, the competent authority for the administration in such territory of the taxes to which this Convention applies;

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

(*e*) the term "person" includes any body of persons, corporate or not corporate;

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

(*g*) (i) the terms "resident of the United Kingdom" and "resident of Sweden" mean respectively any person who is resident in the United Kingdom for the purposes of United Kingdom tax and any person who is resident in Sweden for the purposes of Swedish tax; but

(ii) where by reason of the provisions of sub-paragraph (*g*) (i) above an individual is a resident of both territories, then this case shall be solved in accordance with the following rules:

(*aa*) He shall be deemed to be a resident of the territory in which he has a permanent home available to him. If he has a permanent home available to him in both territories, he shall be deemed to be a resident of the territory with which his personal and economic relations are closest (hereinafter referred to as his centre of vital interests);

(*bb*) If the territory in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either territory, he shall be deemed to be a resident of the territory in which he has an habitual abode;

(*cc*) If he has an habitual abode in both territories or in neither of them, he shall be deemed to be a resident of the territory of which he is a national;

(*dd*) If he is a national of both territories or of neither of them, the taxation authorities of the territories shall determine the question by mutual agreement.

(iii) Where by reason of the provisions of sub-paragraph (*g*) (i) above a legal person is a resident of both territories, then it shall be deemed to be a resident of the territory in which its place of effective management is situated. The same provision shall apply to partnerships and associations which under the national laws by which they are governed are not legal persons.

(*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 Sweden, as the context requires;

(*i*) The terms "United Kingdom enterprise" and "Swedish 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 Sweden, and the terms "enterprise of one of the territories" and "enterprise of the other territory" mean a United Kingdom enterprise or a Swedish enterprise, as the context requires;

(*j*) The term "industrial or commercial profits" includes rents or royalties in respect of cinematograph including television films;

(*k*) (i) The term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

(ii) A permanent establishment shall include especially:

(*aa*) a place of management;

(*bb*) a branch;

(*cc*) an office;

(*dd*) a factory;

(*ee*) a workshop;

(*ff*) a mine, quarry or other place of extraction of natural resources;

(*gg*) a building site or construction or assembly project which exists for more than twelve months.

(iii) The term "permanent establishment" shall not be deemed to include:

(*aa*) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(*bb*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(*cc*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(*dd*) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

(*ee*) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(iv) A person acting in one of the territories on behalf of an enterprise of the other territory—other than an agent of an independent status to whom sub-paragraph (*k*) (v) applies—shall be deemed to be a permanent establishment in the first-mentioned territory if he has, and habitually exercises in that territory, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

(v) 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 in that other territory through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

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

(*l*) The term "international traffic" includes traffic between places in one country in the course of a voyage which extends over more than one country.

(2) Where under this Convention any income is exempt from tax in one of the territories if (with or without other conditions) it is subject to tax in the other territory and that income is subject to tax in that other territory by reference to the amount thereof which is remitted to or received in that other territory, the exemption to be allowed under this Convention in the first-mentioned territory shall apply only to the amount so remitted or received.

(3) In the application of the provisions of the present Convention by one of the 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 Swedish tax unless the enterprise carries on a trade or business in Sweden through a permanent establishment situated therein. If it carries on a trade or business as aforesaid, tax may be imposed on those profits by Sweden, but only on so much of them as is attributable to that permanent establishment.

(2) The industrial or commercial profits of a Swedish 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.

(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

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

ARTICLE V

If undistributed profits of United Kingdom enterprises are effectively charged to United Kingdom profits tax at a lower rate than distributed profits of such enterprises:—

(*a*) the industrial and commercial profits of a Swedish enterprise shall be charged to United Kingdom profits tax only at that lower rate; and

(*b*) where a company which is a resident of Sweden controls, directly or indirectly, not less than 50 per cent. of the entire voting power of a company which is a resident of the United Kingdom, distributions by the latter company to the former company shall be left out of account in computing United Kingdom profits tax effectively chargeable on the latter company at the rate appropriate to distributed profits.

ARTICLE VI

Income from the operation of ships or aircraft in international traffic shall be taxable only in the territory in which the place of effective management of the enterprise is situated.

ARTICLE VII

(1) (*a*) Dividends paid by a company which is a resident of the United Kingdom to a resident of Sweden, who is subject to tax in Sweden in respect thereof and does not carry on a trade or business in the United Kingdom through a permanent establishment situated therein, shall be exempt from United Kingdom surtax.

(*b*) Dividends paid by a company which is a resident of Sweden to a resident of the United Kingdom, who is subject to tax in the United Kingdom in respect thereof and does not carry on a trade or business in Sweden through a permanent establishment situated therein, shall be exempt from Swedish coupon tax.

(2) Dividends paid by a company which is a resident of the United Kingdom to a company which is a resident of Sweden shall be exempt from Swedish tax. This exemption shall not apply unless in accordance with the laws of Sweden the dividends would have been exempt from Swedish tax if the first-mentioned company had been a resident of Sweden and not a resident of the United Kingdom.

(3) Where a company which is a resident of one of the territories derives profits or income from sources within the other territory, there shall not be imposed in that other territory any form of taxation on dividends paid by the company to persons not resident in that other territory, or any tax in the nature of undistributed profits tax on undistributed profits of the company, whether or not those dividends or undistributed profits represent, in whole or in part, profits or income so derived.

ARTICLE VIII

(1) Any interest 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 that 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 "interest" includes interest on bonds, securities, notes, debentures or any other form of indebtedness.

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

ARTICLE IX

(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, 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 or in respect of cinematograph including television films.

(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 X

(1) Income from immovable property may be taxed in the territory in which such property is situated.

(2) The term "immovable property" shall be defined in accordance with the laws of the territory in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment of agricultural and forestry enterprises, 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 mineral deposits, sources and other natural resources ; ships, boats and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraphs (1) and (2) of this Article shall apply to income derived from the direct use or from the letting of immovable property or the use in any other form of such property, including income from agricultural or forestry enterprises. They shall likewise apply to profits from the alienation of immovable property.

(4) The provisions of paragraphs (1) to (3) of this Article shall also apply to the income from immovable property of any enterprises other than agricultural or forestry enterprises and to income from immovable property used for the performance of professional services.

ARTICLE XI

(1) Where under the provisions of this Convention a resident of the United Kingdom is exempt or entitled to relief from Swedish tax, similar exemption or relief shall be applied to the undivided estate of a deceased person in so far as one or more of the beneficiaries is a resident of the United Kingdom.

(2) Swedish tax on the undivided estate of a deceased person shall, in so far as the income accrues to a beneficiary who is resident in the United Kingdom, be allowed as a credit under Article XXIII.

ARTICLE XII

Notwithstanding anything contained in Article X, 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 on gains from the sale, transfer, or exchange of capital assets.

ARTICLE XIII

(1) Subject to the provisions of paragraph (2) of this Article remuneration or pensions paid by, or out of funds created by, one of the Contracting Parties to any individual in respect of services rendered to that Party in the discharge of governmental functions shall be exempt from tax in the territory of the other Contracting Party.

(2) Where the individual is a national of the latter Contracting Party without being also a national of the first-mentioned Party paragraph (1) of this Article shall not apply, but the remuneration or pension shall for the purposes of Article XXIII be deemed to be income from a source within the territory of the first-mentioned Party.

(3) The provisions 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 Contracting Parties for purposes of profit.

ARTICLE XIV

(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 Sweden by an individual who is a resident of the United Kingdom and subject to United Kingdom tax in respect thereof, shall be exempt from Swedish tax.

(2) 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 the United Kingdom by an individual who is a resident of Sweden and subject to Swedish 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.

ARTICLE XV

Income derived by a resident of one of the territories in respect of professional services or other independent activities of a similar character shall be subjected to tax only in that territory unless he has a fixed base regularly available to him in the other territory for the purpose of performing his activities. If he has such a fixed base, such part of that income as is attributable to that base may be taxed in that other territory.

ARTICLE XVI

(1) Subject to the provisions of Articles XIII, XIV and XVIII, salaries, wages and other similar remuneration derived by a resident of one of the territories in respect of an employment shall be subjected to tax only in that territory unless the employment is exercised in the other territory. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other territory.

(2) Notwithstanding the provisions of paragraph (1) of this Article, remuneration derived by a resident of one of the territories in respect of an employment exercised in the other territory shall be subjected to tax only in the first-mentioned territory if:

(*a*) the recipient is present in the other territory for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned, and

(*b*) the remuneration is paid by or on behalf of an employer who is not a resident of the other territory, and

(*c*) the remuneration is not deducted from the profits of a permanent establishment or a fixed base which the employer has in the other territory.

(3) In relation to remuneration of a director of a company derived from the company the preceding provisions of this Article shall apply as if the remuneration were remuneration of an employee in respect of an employment, and as if references to employers were references to the company.

(4) Notwithstanding the preceding provisions of this Article remuneration for personal services performed aboard a ship or aircraft in international traffic may be taxed in the territory in which the place of effective management of the enterprise is situated.

ARTICLE XVII

Notwithstanding anything contained in this Convention, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the territory in which these activities are exercised.

ARTICLE XVIII

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 XIX

(1) Payments which a student or business apprentice from one of the territories who is present in the other territory 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 other territory, provided that such payments are made to him from sources outside that other territory.

(2) A student at a university or other establishment for higher education in one of the territories who for a period or periods not exceeding in the aggregate 100 days during the year of assessment is employed in the other territory in order to gain practical experience required for his education shall be exempt from tax in that other territory on his remuneration from such employment.

ARTICLE XX

Any income not dealt with in the foregoing provisions derived by a resident of one of the territories who is subject to tax there in respect thereof shall be subjected to tax only in that territory.

ARTICLE XXI

Where any capital tax is imposed by one or other or both of the Contracting Parties the following provisions shall apply:

(*a*) Capital represented by immovable property, as defined in paragraph (2) of Article X, may be taxed in the territory in which such property is situated.

(*b*) Subject to the provisions of sub-paragraph (*a*) of this Article, capital represented by assets forming part of the business property employed in a permanent establishment of an enterprise, or by assets pertaining to a fixed base used for the performance of professional services, may be taxed in the territory in which the permanent establishment or fixed base is situated.

(*c*) Ships and aircraft operated in international traffic and assets, other than immovable property, pertaining to the operation of such ships and aircraft, may be subjected to capital tax only in the territory in which the place of effective management of the enterprise is situated.

(*d*) All other elements of capital of a resident of one of the territories may be subjected to capital tax only in that territory.

ARTICLE XXII

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

(2) Individuals who are residents of the United Kingdom shall be entitled to the same personal allowances, reliefs and reductions for the purposes of Swedish tax as those to which Swedish nationals not resident in Sweden may be entitled.

ARTICLE XXIII

(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, Swedish tax payable under the laws of Sweden and in accordance with this Convention, whether directly or by deduction, in respect of income from sources within Sweden shall be allowed as a credit against any United Kingdom tax payable in respect of that income. Where such income is an ordinary dividend paid by a company which is a resident of Sweden the credit shall take into account (in addition to any Swedish tax appropriate to the dividend) the Swedish tax payable by the company in respect of its profits; and, where it is a dividend paid on participating preference shares and representing both a dividend at the fixed rate to which the shares are entitled and an additional participation in profits, the Swedish tax so payable by the company shall likewise be taken into account in so far as the dividend exceeds that fixed rate. For the purpose of this paragraph the term Swedish tax shall not include any capital tax.

(2) Income from sources within 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 Swedish tax; provided that where such income is a dividend paid by a company being a resident of the United Kingdom to a resident of Sweden, not being a company which is exempt from Swedish tax according to the provisions of paragraph (2) of Article VII, Swedish tax shall be charged on the amount of the dividend after deduction of United Kingdom income tax, but the amount of Swedish tax chargeable shall be reduced by a sum equal to 20 per cent. of the amount of the dividend so charged.

(3) If, in accordance with Article XXI, capital belonging to a resident of Sweden may be taxed in the United Kingdom, such capital shall be exempt from Swedish tax.

(4) For the purposes of this Article, profits or remuneration for personal (including professional) services performed in one of the territories shall, unless paragraph 2 of Article XIII applies, 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.

(5) The graduated rate of Swedish tax to be imposed on residents of Sweden may be calculated as though income or capital exempted under this Convention were included in the amount of the total income or capital.

ARTICLE XXIV

The taxation authorities of the 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 XXV

The taxation authorities of the Contracting Parties may communicate with each other directly for the purpose of giving effect to the provisions of this Convention and for resolving any difficulty or doubt as to the application or interpretation of the Convention.

ARTICLE XXVI

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

(2) The term "nationals" means:

(*a*) in relation to Sweden, all Swedish subjects and all legal persons, partnerships and associations deriving their status as such from the law in force in Sweden;

(*b*) in relation to the United Kingdom, all British subjects and British-protected persons

(i) residing in the United Kingdom or any territory to which the present Convention is extended under Article XXVIII, or

(ii) deriving their status as such from connexion with the United Kingdom or any territory to which the present Convention is extended under Article XXVIII,

and all legal persons, partnerships and associations deriving their status as such from the law in force in the United Kingdom or in any territory to which the Convention is extended under Article XXVIII.

(3) The taxation on a permanent establishment which an enterprise of one of the territories has in the other territory shall not be less favourably levied in that other territory than the taxation levied on enterprises of that other territory carrying on the same activities. This provision shall not be construed as obliging one of the Contracting Parties to grant to residents of the other Contracting Party any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

(4) Enterprises of one of the territories, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other territory, shall not be subjected in the first-mentioned territory 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 that first-mentioned territory are or may be subjected.

(5) In this Article the term "taxation" means taxes of every kind and description.

ARTICLE XXVII

The following agreements between the United Kingdom and Sweden shall not have effect for any period for which the present Convention has effect, that is to say,

(*a*) the agreement dated 19th December, 1924(a), for the reciprocal exemption from income tax in certain cases of profits accruing from the business of shipping;

(*b*) the agreement dated 6th July, 1931(b), for the reciprocal exemption from taxes in certain cases of profits arising through agencies.

ARTICLE XXVIII

(1) This Convention may be extended, either in its entirety or with modifications, to any territory for whose foreign relations the United Kingdom is

(a) S.R. & O. 1925/104 (Rev. X, p. 516: 1925, p. 602).
(b) S.R. & O. 1931/932 (Rev. X, p. 514: 1931, p. 485).

responsible, and which imposes taxes substantially similar in character to those which are the subject of this 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 Contracting Parties in notes to be exchanged for this purpose.

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

ARTICLE XXIX

(1) The present Convention shall be ratified by the Contracting Parties in accordance with their respective constitutional and legal requirements.

(2) The instruments of ratification shall be exchanged at Stockholm as soon as possible.

(3) Upon the exchange of ratifications the present Convention shall enter into force, and its provisions shall have effect:

(*a*) In Sweden:

(i) in respect of the State income tax and the communal income tax on income which is assessed in or after the calendar year beginning on 1st January, 1961, being income for which preliminary tax is payable during the period 1st March, 1960, to 28th February, 1961, or any succeeding period;

(ii) in respect of coupon tax on dividends payable on or after 1st January, 1960;

(iii) in respect of the tax on public entertainers which is levied on or after 1st January, 1960;

(iv) in respect of sailors tax on income payable on or after 1st January, 1960; and

(v) in respect of the State capital tax which is assessed in or after the calendar year beginning on 1st January, 1961.

(*b*) In the United Kingdom:

as respects income tax for any year of assessment beginning on or after 6th April, 1960;

as respects surtax for any year of assessment beginning on or after 6th April, 1959; and

as respects profits tax in respect of the following profits:

(i) profits arising in any chargeable accounting period beginning on or after 1st April, 1960;

(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 6th April, 1960.

(4) The Convention between Sweden and the United Kingdom of Great Britain and Northern Ireland, signed at London on 30th March, 1949(a), shall terminate and cease to be effective as respects taxes to which the present Convention in accordance with paragraph (3) above applies: Provided that the said Convention shall still apply as between Sweden and those territories to which that Convention has been extended under Article XXIII thereof.

(5) The understanding between the Government of the United Kingdom and the Government of Sweden embodied in the Exchange of Notes of 18th February, 1955(b), shall not apply as respects income earned after 31st December, 1959.

(a) S.I. 1949/1841 (1949 I, p. 2316). (b) "Treaty Series No. 26 (1955)," Cmd. 9459.

ARTICLE XXX

The present Convention shall continue in effect indefinitely but either of the Contracting Parties may, on or before 30th June in any calendar year not earlier than the year 1964, give to the other Contracting Party, through diplomatic channels, written notice of termination and, in such event, the present Convention shall cease to be effective:

(*a*) In Sweden:

(i) in respect of the State income tax and the communal income tax on income for which preliminary tax is payable after the last day of February in the calendar year next following that in which such notice is given;

(ii) in respect of coupon tax on dividends payable on or after 1st January in the calendar year next following that in which such notice is given;

(iii) in respect of the tax on public entertainers which is levied on or after 1st January in the calendar year next following that in which such notice is given;

(iv) in respect of sailors tax on income payable on or after 1st January in the calendar year next following that in which such notice is given; and

(v) in respect of the State capital tax assessed in or after the second calendar year following that in which such notice is given.

(*b*) In the United Kingdom:

as respects income 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;

as respects surtax for any year of assessment beginning on or after 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 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 6th April in the next following calendar year.

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

Done in duplicate at London, this twenty-eighth day of July, 1960, in the English and Swedish languages, both texts being equally authoritative.

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

David Ormsby Gore.

For the Government of the Kingdom of Sweden:

Gunnar Hägglöf.

EXPLANATORY NOTE

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

The Convention with Sweden scheduled to this Order, which is to replace the Convention signed on 30th March, 1949, is somewhat more extensive in scope than the earlier convention, in particular because it provides that the Swedish communal income tax is to be included in the Swedish taxes to which it is to apply. In the new Convention the opportunity has been taken to include certain Articles in a modified form so as to bring them into line with Articles which the Council of the Organisation for European Economic Co-operation has recommended Member Countries to adopt when revising existing conventions.

The new Convention provides that (subject to certain conditions) dividends received from Sweden by United Kingdom residents are to be exempt from Swedish coupon tax. Dividends received from the United Kingdom by a Swedish company are ordinarily to be exempt from Swedish tax.

The new Convention is to take effect for the fiscal year 1960-61.