1961 No. 985

INCOME TAX

The Double Taxation Relief (Taxes on Income) (U.S.A.) (No. 3) Regulations, 1961

Made - - - - 25*th May*, 1961
Coming into Operation 1*st June*, 1961

The Commissioners of Inland Revenue, in exercise of the powers conferred upon them by Section 351 of the Income Tax Act, 1952(a), hereby make the following Regulations:—

1. These Regulations may be cited as the Double Taxation Relief (Taxes on Income) (U.S.A.) (No. 3) Regulations, 1961, and shall come into operation on the first day of June, 1961.

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

"the principal Regulations" means the Double Taxation Relief (Taxes on Income) (U.S.A.) Regulations, 1946(b), as amended by the Double Taxation Relief (Taxes on Income) (U.S.A.) (No. 2) Regulations, 1955(c);

"agreement territory" means any territory (other than the United Kingdom or the Republic of Ireland) the Government of which has concluded with the Government of the United States of America a Convention including provisions in pursuance of which the rate at which United States tax is withheld from dividends derived from United States corporations by residents of that territory qualifying for relief is limited so as not to exceed 15 per cent., and any territories to which such provisions have been extended under the terms of any such Convention;

other expressions have the same meaning as in the principal Regulations.

(2) The Interpretation Act, 1889(d), shall apply to these Regulations as it applies to an Act of Parliament.

3. The principal Regulations shall have effect—

(*a*) as if the following proviso were added at the end of paragraph (1) of Regulation 4:—

"Provided also that where the person beneficially entitled to the dividend is not resident in the United Kingdom or in the Republic of Ireland, but is resident in an agreement territory or in the United States of America, this paragraph shall not apply."

(a) 15 & 16 Geo. 6 & 1 Eliz. 2. c. 10.
(b) S.R. & O. 1946/1331 (Rev. X, p. 332: 1946 I, p. 895).
(c) S.I. 1955/499 (1955 I, p. 1016).
(d) 52 & 53 Vict. c. 63.

(*b*) as if for sub-paragraph (*b*) of paragraph (2) of Regulation 4 there were substituted the following sub-paragraph:—

"(*b*) render to the Commissioners a statement in duplicate in the prescribed form—

(i) showing the total amount entrusted to him for payment in respect of all United States dividends from which he has withheld amounts under paragraph (1) of this Regulation during that period, the total gross amount of those dividends, and the total amount so withheld;

(ii) where United States dividends have been entrusted to him for payment to residents of the Republic of Ireland, showing in addition the total of the amounts of those dividends; and

(iii) where United States dividends have been trusted to him for payment to persons not resident in the United Kingdom or in the Republic of Ireland, but resident in an agreement territory or in the United States of America, showing in addition the names and addresses of those persons, and as respects each such person the gross amount of each such dividend and the name of the corporation paying the dividend."

(*c*) as if the following proviso were added at the end of Regulation 5:—

"Provided also that where the person beneficially entitled to the dividend is not resident in the United Kingdom or in the Republic of Ireland, but is resident in an agreement territory or in the United States of America, this Regulation shall not apply."

By Order of the Commissioners of Inland Revenue.

E. R. Brookes,
Secretary.

25th May, 1961.

EXPLANATORY NOTE

(*This Note is not part of the Regulations but is intended to indicate their general purport.*)

These Regulations relieve paying agents in this country of the obligation to deduct United States withholding tax from dividends paid to persons in certain overseas territories and to accord to those persons the same treatment as that accorded to persons resident in the United Kingdom.

The dividends of United States companies paid to persons not resident in the United States are normally subject to United States withholding tax at the rate of 30 per cent. Under the Convention between the United Kingdom and the United States for the relief of double taxation this tax is reduced to 15 per cent. where the shareholder is a resident of the United Kingdom. For this reason persons in the United States paying dividends to an address in the United Kingdom deduct tax at only 15 per cent.

If the person beneficially entitled to the dividends is not a resident of the United Kingdom he is not entitled under the Convention to this reduction. The Double Taxation Relief (Taxes on Income) (U.S.A.) Regulations, 1946, accordingly provide that where such dividends are paid through a

paying agent in the United Kingdom to persons not resident in the United Kingdom the paying agent shall instead deduct an additional 15 per cent. United States withholding tax and account for it to the United Kingdom Commissioners of Inland Revenue, who will then account for it to the United States taxation authorities.

In certain other Conventions concluded by the United States, provision is similarly made for the reduction of United States withholding tax to 15 per cent. on dividends paid to residents of the other territory. These Regulations authorise paying agents in the United Kingdom to refrain from deducting any additional United States withholding tax when they pay United States dividends to residents of such territories or to residents of the United States who, under United States law, are not subject to the withholding tax. Similar treatment is already available, under the Double Taxation Relief (Taxes on Income) (U.S.A.) (No. 2) Regulations, 1955, for dividends paid to residents of the Republic of Ireland.