STATUTORY INSTRUMENTS

1962 No. 2787

INCOME TAX

The Double Taxation Relief (Taxes on Income) (Italy) Order, 1962

Laid before the House of Commons in draft
Made - - - - 19th December, 1962

At the Court at Buckingham Palace, the 19th day of December, 1962

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) (Italy) Order, 1962.

2. It is hereby declared—

(*a*) that the arrangements specified in the Convention set out in Part I of the Schedule to this Order and in the Exchange of Notes constituting an Agreement set out in Part II of that Schedule have been made with the Government of the Italian 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 Italy ; and

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

W. G. Agnew.

SCHEDULE

PART I

CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE ITALIAN REPUBLIC 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 Italian Republic,

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

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:

ARTICLE I

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

(*a*) in Italy (and hereinafter referred to as "Italian tax"):

(i) tax on land (imposta sul reddito dei terreni);

(ii) tax on buildings (imposta sul reddito dei fabbricati);

(iii) tax on income from movable wealth (imposta sui redditi di ricchezza mobile);

(iv) tax on agricultural income (imposta sui redditi agrari);

(v) complementary tax (imposta complementare progressiva sul reddito); and

(vi) tax on companies (imposta sulle società) in so far as the tax is charged on income and not on capital;

(*b*) in the United Kingdom of Great Britain and Northern Ireland (and hereinafter referred to as "United Kingdom tax"):

the income tax (including surtax) and the profits tax.

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed in Italy 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;

(*b*) The term "Italy" means the Italian Republic;

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

(*d*) The term "tax" means United Kingdom tax or Italian 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*) The term "resident of the United Kingdom" means:—

(i) any company whose business is managed and controlled in the United Kingdom;

(ii) any other person who is resident in the United Kingdom for the purposes of United Kingdom tax and either

(*aa*) not resident in Italy for the purposes of Italian tax, or

(*bb*) present in Italy for a period or periods not exceeding in the aggregate 91 days in the fiscal year;

(*h*) The term "resident of Italy" means:—

(i) any company whose business is managed and controlled in Italy;

(ii) any other person who is resident in Italy for the purposes of Italian tax and either

(*aa*) not resident in the United Kingdom for the purposes of United Kingdom tax, or

(*bb*) if resident in the United Kingdom is present therein for a period or periods not exceeding in the aggregate 91 days in the fiscal year;

(*i*) 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 Italy, as the context requires;

(*j*) The terms "United Kingdom enterprise" and "Italian 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 Italy, and the terms "enterprise of one of the territories" and "enterprise of the other territory" mean a United Kingdom enterprise or an Italian enterprise, as the context requires;

(*k*) The term "permanent establishment" means a branch, management, factory, or other fixed place of business, but does not include an agency unless the agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of an enterprise of one of the territories 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.

(2) Where the present Convention provides that income from sources 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 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) An enterprise of one of the territories shall not be subject to taxation in the other territory in respect of its industrial or commercial profits unless it is engaged in trade or business in the other territory through a permanent establishment situated therein. If the enterprise is so engaged, that other territory may impose tax upon those profits, but only on so much of them as is attributable to that permanent establishment.

(2) 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.

(3) In the determination of the commercial and industrial profits of a permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably attributable to the permanent establishment, including executive and general administrative expenses so attributable.

(4) 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 except 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

Income of whatever nature derived from real property within one of the territories shall be taxable in accordance with the laws of that territory. Where that income is also chargeable to tax in the other territory, credit for the tax payable in the first-mentioned territory shall be given against the tax payable on that income in the other territory in accordance with Article XVII.

ARTICLE VI

Notwithstanding the provisions of Articles III and IV, profits which an enterprise of one of the territories derives from the operation of ships or aircraft registered in that territory shall be exempt from tax in the other territory.

ARTICLE VII

(1) Dividends paid by a company resident in one of the territories to 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, in the first-mentioned territory, from any tax which is levied on dividends in addition to the tax chargeable in respect of the profits or income of the company:

Provided that nothing in this Article shall prevent the charge of dividends paid by a company resident in one of the territories to an individual resident of the other territory to the taxes in force in the first-mentioned territory at the date of signature of the present Convention. Where such dividends are also chargeable to tax in the other territory, credit for the tax payable in the first-mentioned territory shall be given against the tax payable on those dividends in the other territory in accordance with Article XVII.

(2) 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.

(3) In the event of substantial changes in the fiscal laws of either of the two Contracting Parties affecting this Article the two Contracting Parties shall consult together in order to determine whether it is necessary for that reason to amend this Article of the Agreement.

ARTICLE VIII

(1) Interest of whatever nature derived from sources within one of the territories shall be taxable in accordance with the laws of that territory, but interest on loans secured by mortgages of real property shall be deemed to have its source in the territory in which the property is situated.

(2) Interest paid by a resident of the United Kingdom to a resident of Italy who is subject to tax in Italy 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.

(3) Interest paid by a resident of Italy 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 Italy through a permanent establishment situated therein shall be exempt from the Italian complementary tax.

(4) Where the income is also chargeable to tax in the other territory, credit for the tax payable in the first-mentioned territory shall be allowed against the tax payable on that income in the other territory, in accordance with the provisions of Article XVII.

(5) For the purposes of this Article interest includes interest on bonds, securities, notes, debentures or on any other form of indebtedness.

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) 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 royalties, rents and other similar payments 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 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) Where a resident of one of the territories derives profits, through a permanent establishment situated in the other territory, from royalties, rents, and other similar payments in respect of cinematograph films exhibited in that other territory, the provisions of paragraphs (2), (3) and (4) of Article III shall apply to those profits as if they were industrial or commercial profits.

(5) 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

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 XI

(1) Remuneration, including 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, unless the individual is a national of that other Party without being also a national of the first-mentioned Party.

(2) The provisions of the preceding paragraph shall apply also to remuneration in respect of services rendered in Italy by the personnel of the Imperial War Graves Commission.

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

ARTICLE XII

(1) Profits or remuneration for personal (including professional) services performed in one of the territories by an individual who is a resident of the other territory may be taxed in the first-mentioned territory. Where the income is also chargeable to tax in the other territory, credit for the tax payable in the first-mentioned territory shall be allowed against the tax payable on that income in the other territory, in accordance with the provisions of Article XVII. For the purposes of this Article 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.

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

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

(*b*) (i) in the case of a directorship or employment, the services are performed for or on behalf of a resident of the United Kingdom;

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

(*c*) the profits or remuneration are not allowable as a deduction in computing any profits taxable in Italy; and

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

(3) An individual who is a resident of Italy 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 a directorship or employment, the services are performed for or on behalf of a resident of Italy;

(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 not allowable as a deduction in computing any profits taxable in the United Kingdom; and

(*d*) the profits or remuneration are subject to Italian tax.

(4) The provisions of paragraphs (2) and (3) of this Article shall not apply to the profits or remuneration of public entertainers such as theatre, motion picture, radio or television artistes, musicians and athletes.

ARTICLE XIII

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

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

(3) In this Article—

(*a*) The term "pension" means periodic payments made in consideration of past services or by way of compensation for injuries received;

(*b*) 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 XIV

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 XV

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 in the first-mentioned territory for the purposes of his maintenance, education or training.

ARTICLE XVI

(1) Individuals who are residents of Italy 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 Italian tax as Italian nationals not resident in Italy.

ARTICLE XVII

(1) The laws of the 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 this Convention. Where income is subject to tax in both territories, relief from double taxation shall be given in accordance with the following paragraphs of this Article.

(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, Italian tax payable, whether directly or by deduction, in respect of income from sources within Italy shall be allowed as a credit against the 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 Italy, the credit shall take into account (in addition to any Italian tax appropriate to the dividend) the Italian 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 Italian tax so payable by the company shall likewise be taken into account in so far as the dividend exceeds that fixed rate.

(3) United Kingdom tax payable, whether directly or by deduction, in respect of income from sources within the United Kingdom shall be allowed as a deduction from the Italian tax payable in respect of that income, but in an amount not exceeding the proportion of the Italian tax which such income bears to the total income chargeable to Italian tax. Where the income in question consists of dividends from sources within the United Kingdom the deduction from Italian tax of the tax payable in the United Kingdom shall be allowed only in the case of dividends received by an individual and shall not exceed in any case 8 per cent. of the amount of the dividends chargeable to Italian tax.

(4) Where a person is resident in the United Kingdom for the purposes of United Kingdom tax and is also resident in Italy for the purposes of Italian tax—

(*a*) the provisions of paragraph (2) of this Article shall apply in relation to income which that person derives from sources within Italy, and

(*b*) the provisions of paragraph (3) of this Article shall apply in relation to income which that person derives from sources within the United Kingdom but only where that person is present within the United Kingdom for a period or periods exceeding in the aggregate 183 days during the fiscal year.

(5) 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 XVIII

(1) 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.

(2) As used in this Article, the term " taxation authorities " means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representatives ; in the case of Italy, the Ministry of Finance, General Directorship for Direct Taxation ; and, in the case of any territory to which the present Convention is extended under Article XX, the competent authority for the administration in such territory of the taxes to which the present Convention applies.

ARTICLE XIX

(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, 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 whether carried on by a company, a body of persons or by individuals alone or in partnership, shall not be subjected in the other territory, in respect of income or profits 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 similarly carried on are or may be subjected in respect of the like profits.

(3) Nothing in this Article shall be construed as—

(*a*) obliging one of the Contracting Parties to grant to nationals of the other Contracting Party who are not resident in the territory of the former Party the same personal allowances, reliefs and reductions for tax purposes as are granted to its own nationals ; or

(*b*) affecting the imposition in Italy of the tax on companies (imposta sulle società) upon foreign partnerships, bodies of persons, etc., which are liable to the tax according to Italian law.

(4) In this Article the term "nationals" means:—

(*a*) in relation to Italy:

all Italian citizens wherever residing, all persons residing in Italy, Italian protected persons and all legal persons, partnerships, associations and other entities deriving their status as such from the law in force in any Italian territory to which the Convention applies;

(*b*) in relation to the United Kingdom:

all British subjects and British protected persons:

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

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

and all legal persons, partnerships, associations and other entities deriving their status as such from the law in force in any British territory to which the Convention applies.

(5) In this Article the term "taxation" means the taxes referred to in Article I of the present Convention.

ARTICLE XX

(1) The present Convention may be extended, either in its entirety or with modifications, to any territory of one of the 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 Contracting Parties in notes to be exchanged for this purpose.

(2) The termination in respect of Italy or the United Kingdom of the present Convention under Article XXIII shall, unless otherwise expressly agreed by both 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 the United Kingdom: any territory other than the United Kingdom for whose international relations the United Kingdom is responsible;

(*b*) in relation to Italy: any territory other than Italy for whose international relations Italy is responsible.

ARTICLE XXI

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

(2) The present Convention shall enter into force upon the exchange of instruments of ratification.

ARTICLE XXII

Upon the entry into force of the present Convention in accordance with Article XXI the provisions of the Convention shall have effect:

(*a*) In the United Kingdom:

as respects income tax (including surtax) for any year of assessment beginning on or after the 6th April, 1956;

as respects profits tax in respect of the following profits:

(i) profits 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, 1956;

(ii) other profits being profits by reference to which income tax is not chargeable, but which arise in any chargeable accounting period beginning on or after the 1st April, 1956; or are attributable to so much of any chargeable accounting period falling partly before and partly after that date as falls after that date;

(*b*) in Italy:

as respects Italian taxes for the taxable years beginning on or after the 1st January, 1956.

ARTICLE XXIII

The present Convention shall continue in effect indefinitely but either of the Contracting Parties may, on or before the 30th June in any calendar year not earlier than the year 1964 give to the other Contracting Party, through the diplomatic channel, 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 (including surtax) 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 profits tax in respect of the following profits—

(i) profits by reference to which income tax is chargeable 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;

(ii) other profits being profits by reference to which income tax is not chargeable, but which arise in any chargeable accounting period beginning on or after the 1st April in the next following calendar year or are attributable to so much of any chargeable accounting period falling partly before and partly after that date as falls after that date;

(*b*) In Italy:

as respects Italian taxes for the taxable years beginning on or after the 1st January in the calendar year next following that in which such notice is given.

In witness whereof the undersigned, duly authorised thereto, have signed the present Convention.

Done in duplicate at London this fourth day of July, one thousand nine hundred and sixty, in the English and Italian languages, both texts being equally authoritative.

For the Government of the Italian Republic:

VITTORIO ZOPPI.

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

SELWYN LLOYD.

PART II

EXCHANGE OF NOTES

Foreign Office,
London, S.W.1.

July 4, 1960.

Your 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 Italian Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income which has been signed to-day and to propose on behalf of the Government of the United Kingdom that, for the purpose of that Convention, the term "Italy" shall be understood to mean all the territories for whose international relations the Italian Republic is now responsible.

If the foregoing proposal is acceptable to the Italian Government, 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.

I have the honour to be with the highest consideration and respect,

Your Excellency's obedient Servant,

SELWYN LLOYD.

His Excellency the Italian Ambassador.

The Italian Embassy,
London.

July 4, 1960.

Your Excellency,

I have the honour to acknowledge receipt of your Excellency's Note of to-day 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 Italian Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income which has been signed to-day and to propose on behalf of the Government of the United Kingdom that, for the purpose of that Convention, the term "Italy" shall be understood to mean all the territories for whose international relations the Italian Republic is now responsible.

If the foregoing proposal is acceptable to the Italian Government, 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."

In reply, I have the honour to state that the Italian Government accept the proposal made therein and agree that Your Excellency's Note and the present reply shall constitute an Agreement between the United Kingdom Government and the Italian Government in this matter.

Please accept, Your Excellency, the assurance of my highest consideration.

VITTORIO ZOPPI.

His Excellency the Secretary of State for Foreign Affairs.

EXPLANATORY NOTE

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

Under the Convention with Italy 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, royalties, pensions other than Government pensions, purchased annuities, and earnings of temporary business visitors. The Convention also includes provisions as to the exemption of interest derived from one country by a resident of the other country from United Kingdom surtax and Italian complementary tax respectively. Government salaries and pensions are normally to be taxed by the paying Government only. Remuneration of visiting professors and teachers and payments made for the maintenance of visiting students are to be exempt in the country visited.

Residents of Italy are to be entitled to the same personal allowances as British subjects resident abroad, and residents of the United Kingdom are to be entitled to the same personal allowances as Italian subjects resident abroad.

Where income continues to be taxable in both countries, credit is to be given by the country of the taxpayer's residence for the tax payable in the country of origin of the income. Where the income consists of dividends received by residents of Italy from United Kingdom sources credit is, however, to be allowed only in the case of dividends received by individuals and is not to exceed 8 per cent. of the amount of the dividends.

Provision is included for the exchange of information between the taxation authorities of the two countries.

The Convention is to take effect for the fiscal year 1956–57.