

# **DOUBLE TAXATION RELIEF PROVISIONAL TREATY RELIEF SCHEME (PTRS) FOR UK INTEREST PAYMENTS**

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# PTR GUIDELINES

## 1. Introduction

When interest is paid by (*inter alia*) a company, Section 349 of the Income and Corporation Taxes Act 1988 requires that, where interest is paid outside the UK, tax has to be deducted and paid to the Inland Revenue. The Provisional Treaty Relief Scheme (PTRS) provides for the Inland Revenue to give early agreement that interest may be paid either without deduction of tax or after deduction of UK tax at the appropriate rate provided for in the relevant double taxation treaty.

The PTRS is available where UK corporate borrowers make interest payments to **overseas corporate lenders** (*see Part 6 of these notes*) who can claim relief from UK income tax under a double taxation treaty with their own country of residence. The two types of loans covered are

- “**One-to-One loans**”, that is where only one company loans money to another, **but** covering only those where there is **no common shareholding or ownership** between the parties to the loan
- **Syndicated Loans** where the overseas lending members are **corporations**, and where a **Syndicate Manager** acts on behalf of all the members of the syndicate.

The scheme came into effect on **1 September 1999**.

## 2. The scope of the scheme

The scheme provides a mechanism whereby CNR can be asked for provisional agreement to enable the UK payer to pay interest either without deduction of tax or at the appropriate rate provided for in a double taxation treaty.

The entitlement of the lenders to double taxation relief on these payments still needs to be formally established. This means that CNR has to fully process the application for relief. This includes liaising with other Revenue offices such as the tax office for the UK company.

It should be noted that overseas lenders in one-to-one loans will still have to send us a completed application form that has been certified by their own tax authorities. However, in the case of syndicated loans we will relax this rule where a Syndicate Manager agrees to act as intermediary and facilitator for the syndicate and its members in their dealings with us throughout the treaty relief process, and thereafter.

**The outcome of any successful application will continue to be the issue by CNR of a formal Direction under Statutory Instrument 1970 No. 488 to the UK payer,** giving it the legal authority either not to deduct tax at all, or to deduct it at a lower treaty-specified rate.

The loans covered by the PTRS are those which are considered to offer a low-risk to the UK taxpayer and Exchequer that treaty relief will not be due. The arrangements are without prejudice to the Inland Revenue's right to get payment of any tax found to be due, should this not prove to be the case. **UK companies in particular should note that the Inland Revenue will look to them for this tax,** as their statutory obligation to deduct tax in full from interest payments, in the absence of an SI 1970 No. 488 authority, will be unaffected.

In addition, it should be noted that the inclusion of a loan in the Provisional Treaty Relief Scheme does not imply that treaty relief will automatically be due, and has no bearing on the allowability of the interest paid for the purpose of the borrower's corporation tax liability.

### ***3. Optional nature of the PTR Scheme***

A UK payer might not wish to start making payments without the comfort of possessing such a formal Direction, or it may be uncertain that the success of the application is beyond doubt. Or an overseas lender or syndicate might, for whatever reason, want to apply for any relief in the usual manner. Such commercial and contractual considerations are outside CNR's scope, and we are unable to comment on sets of individual circumstances. The PTR scheme is an optional supplement to existing procedures, and not a replacement. For whatever reason, UK companies can still elect to wait for a formal SI Direction; and overseas lenders can still make their applications in the usual way.

### ***4. Qualifying One-to-One Loans***

Many One-to-One loans are between connected parties - in a multi-national group of companies, say. Double taxation agreements may restrict or deny relief in certain circumstances where the borrower and lender are organisationally or commercially linked, or where they have some other form of "special relationship" or community of interest. These considerations may prejudice the criteria for double taxation relief. For these reasons such loans may not be the subject of an application under the terms of the PTRS.

But there will be situations where there is no link between borrower and lender; usually where there is **no common shareholding or ownership** behind their relationship, and underpinning the loan. This will be known from the start to the parties concerned, although any such link will also come to light as a result of the Inland Revenue's processing of the application.

## ***5. The One-to-One PTR process***

Where the parties to a loan are satisfied that they have no common shareholding or ownership, and are aware of their obligations, CNR is prepared to proceed as follows.

The UK borrower can contact us (phone +44 (0)115 9741945; fax +44 (0)115 974 1918) to ask whether an overseas lender has had dealings with CNR within the last three years to the extent that it has established a recent successful entitlement to relief.

If the answer is yes, we will send the UK company an application form (**PTR-PAY1**) for completion and return. The form asks for a summary of the loan arrangements with a declaration that the UK company understands and acknowledges its continuing liability to tax. The application form is also available on our website at [http://www.inlandrevenue.gov.uk/cnr/ptr\\_guide.pdf](http://www.inlandrevenue.gov.uk/cnr/ptr_guide.pdf).

When we receive the completed application form we will issue a provisional letter of acceptance into the PTRS (a **PTR-PAY2**) to the UK payer, clearing it to incorporate treaty relief in its payments. But this is strictly conditional on us getting a formal double taxation treaty application from the overseas lender within three months of that provisional authority. When this is received by us, we will process it in the usual way.

If relief is found not to be due, or due in some restricted manner only, the provisional letter of acceptance will be withdrawn. The Revenue will look to the UK company for the tax and associated liabilities that should have been deducted from any payments to be paid to the appropriate Accounts Office.

The provisional letter of acceptance will be withdrawn on a like basis if we do not receive the certified treaty application within the three months allowed.

Any provisional letter of acceptance is given at the Inland Revenue's discretion, and may be withdrawn or modified at any time.

## ***6. Syndicated Loans - Introduction***

Unlike One-to-One loans - which can often involve companies that are linked - it should be rare to find connections between the two sides to a syndicated loan raised on the open market. Where lenders are concerned, such syndicated debt-rights are commonly traded on commercial terms between the banks and similar concerns that usually make up such syndicates, in what has been termed "the secondary loan market". This implied arm's-length distance between the parties, and the comfort it can afford the Revenue, is one of the considerations behind CNR's willingness to moderate the strict rule that such changes in beneficial ownership require a fresh application for treaty relief from the new member of the syndicate.

We are therefore prepared to give **a more active role to Syndicate Managers**, who we are willing to treat as representing to a far greater degree their syndicates'

members. The focus will be on the loan itself, where the overseas lending members are straightforward corporations. With these considerations in mind, we will accept a single *composite application* from a Syndicate Manager in the name of a **new syndicate**. With this composite application, we will expect the Syndicate Manager to give us enough information about the loan, and all those initially party to it, so that we can start the relief process. We will regard the Syndicate Manager as the main channel for communications between us and the syndicate members, and as the primary source of information concerning any changes in participation, or variations to the underlying terms of the loan. For PTRS purposes, we are willing to treat not only professional Agent Banks as “Syndicate Managers”. We may also accept as a Syndicate Manager a UK borrower who satisfies CNR he/she is able to act for the lending members of the syndicate and is able to comply with the requirement to provide information to CNR about changes to those lending members.

This will require us to place great reliance on the information provided by the Syndicate Manager, recognising that this will be no more than that represented to the Syndicate Manager by the syndicate members. The Revenue expects no more from the Syndicate Manager than that they will supply the information obtained from the syndicate members.

It is always possible that - despite the Syndicate Manager doing all that is asked of them - an application might fail. This would usually be as a consequence of the presence of factors not readily or reasonably within the knowledge of the Syndicate Manager - such as a community of interest between a lender and the borrower, which invokes the “special relationship” provisions of a treaty.

As with the One-to-One loan arrangements above, it is important to remember from the outset that *if* relief is not found to be due as claimed, the Inland Revenue will look to the UK payer for the tax that ought to have been deducted. Again, it will be a matter for the parties to the loan to make their own contractual and other arrangements to safeguard themselves against the consequences of any failure.

The PTRS is not available to any of the lending members of the syndicate that are, for example, see-through concerns such as US limited liability companies (LLCs) or partnerships (*see also Part 8 of these notes*). Where a syndicate includes lending members that are not straightforward corporations the syndicate manager may, nonetheless, make an application to include a loan into the Scheme. In these cases the following additional conditions apply.

- No more than 20% of the total value of the loan may be held by partnerships or LLCs.
- Partnerships and LLCs may make up no more than 20% of the total number of lending members in a syndicate.
- UK tax should be deducted from any interest that is owned by a partnership or LLC (*see also Part 8 of these notes*).

- Each partnership or LLC is required to make a separate, formal application for double taxation relief. Claim forms for this purpose may be obtained by telephone from 0845 070 0040. Some claim forms are also available to download from the Inland Revenue website at [http://www.inlandrevenue.gov.uk/cnr/app\\_dtt.htm](http://www.inlandrevenue.gov.uk/cnr/app_dtt.htm).
- When a partnership or LLC establishes that all of its partners or members are able to benefit from the terms of a double taxation convention CNR will consider if it is possible to issue a SI 1970 No488 direction to the payer of the interest in respect of interest payments that are paid to the partnership or LLC.
- If tax is deducted from interest payments the partnership or LLC must claim repayment of that tax from CNR.

### ***7. The Syndicated Loan process***

A Syndicate Manager can contact us (phone +44 (0)115 974 1945; fax +44 (0)115 974 1918) in connection with a loan to a UK company or companies. We will then send them an application form (**PTR-SM1**). This application form is also available on the Inland Revenue website at [http://www.inlandrevenue.gov.uk/cnr/ptr\\_guide.pdf](http://www.inlandrevenue.gov.uk/cnr/ptr_guide.pdf)

This form asks for a summary of the main elements of the loan. It also requires a declaration and assurance that the Syndicate Manager is acting with the authority in this matter of all of the lending members of the syndicate. The Syndicate Manager undertakes to provide all the information that might be required by the Inland Revenue to process the application, including copies of relevant loan documentation.

### ***8. Country-specific “Blocks” of lending members***

Where a syndicate contains lending members from more than one overseas country, the rate of treaty relief may vary, depending on the terms of individual double taxation agreements. In addition, there may be members for whom treaty relief is inappropriate (a S840A ICTA 1988 UK bank, for example), or for whom it is unavailable (say, a resident of a country with which the UK has no arrangements in place to relieve interest payments).

In such cases, we ask Syndicate Managers to list lending members’ details country by country, as a simple and efficient way of ordering the factual information given to them by those members. These **country-specific “Blocks”** will then allow for complete transparency in following - and referring to - the separate income streams that are being given relief under different double taxation treaties. It follows that sometimes more than one such list will attract the same rate of treaty relief. A list of Italian lending members will attract a reduced rate of 10% UK withholding tax - as will a list of Japanese members. A list of US members will be eligible for gross payments - as will that for French members. The eventual SI 1970/488 Direction we issue will be couched in terms of these blocks, and we can group them together for the purpose of specifying which rate of treaty relief covers which blocks.

As the sort of thing we have in mind, the syndicate might designate “Block A” for US residents (no deduction); “Block B” for German residents (no deduction); “Block C” for Japanese residents (10% deducted); “Block D” for the shares of any syndicate members that are in the UK and who qualify for gross payment of interest under the provisions of UK law. (*This includes S840A banks and companies to whom payment is made in accordance with the provisions at S349A ICTA 1988.*) A separate Block should also be designated for any syndicate members who are not able to be paid interest without deduction of tax. Examples of lenders whose shares will be placed in this block include any US partnership or LLC; any other non-corporate lender and any lender that is resident in a country with which the UK does not have a double taxation treaty.

### ***9. The letter of acceptance into the PTRS***

When signed and returned, and assuming all is in order, CNR DT Caseworkers will issue the Syndicate Manager with a provisional letter of acceptance into the PTRS (a **PTR-SM2**), clearing it to incorporate treaty relief in the interest payments. This will have a schedule setting out

- the UK payer(s) entitled to take advantage of the PTRS arrangements, and
- the overseas syndicate members for which it is applicable - grouped country by country (or Block by Block), and specifying the rate of relief available under the appropriate treaty.

The Syndicate Manager **MUST** give a full copy of this letter of acceptance to any UK payer of interest wanting to make interest payments without deducting tax, or deducting tax at a reduced treaty rate or rates. But, if it chooses, the UK payer is entitled to decline to act on the letter of acceptance alone. It may prefer to wait for a formal Direction from CNR, deducting and accounting for tax in the usual way in the meantime.

We will use the information provided by the Syndicate Manager to process the application to its conclusion. This will be done in the normal way, with the involvement of a borrowers own tax offices.

If the application proves successful, we will issue the formal SI 1970/488 Direction to the UK payer(s). If it is not, then the Inland Revenue will look to the UK payer(s) to meet their obligation(s) to account for any tax then found to be due to the UK company’s own Accounts Office, in the usual way.

### ***10. Bringing existing Syndicated Loans into the PTR scheme***

**Existing syndicates**, whose individual overseas lending members have already applied for and obtained SI 1970/488 Directions from us to give treaty relief at source, might consider that the PTR scheme’s treatment of the syndicated loan as a

unity would be of benefit to them. For example, where secondary trading in debt-right is anticipated, and the new overseas lending member(s) would otherwise have to take the traditional certified application route before becoming entitled to relief at source.

We are willing to consider applications from existing syndicates in these circumstances, **but** only where

- A new overseas lending member has joined the syndicate and needs treaty relief.
- They would meet the criteria for PTR treatment under the normal rules for new syndicated loans (for example, the overseas lending members are all corporations).
- And there are no open unresolved applications for relief at source from the old members of the syndicate.

The entry of the new lending member will be the “trigger” for the Syndicate Manager to seek the admission of the loan into the PTR scheme.

The Syndicate Manager may do this on an application form **PTR-SM1A**. Just as with the form PTR-SM1, the PTR-SM1A asks for the names and details of all the members of the syndicate, including the new member(s). Also asked for will be the CNR references under which treaty relief was given to the old members of the syndicate. This information should enable us to gain access to all of the information we need about the loan and the parties to it. If we meet any difficulties then we will contact the Syndicate Manager for help. The PTR-SM1A stands in its own right, and the new lending member(s) do not need to apply for relief through their own tax authorities in the usual way.

Unless there is some clear reason why we could not do so, CNR will issue a provisional letter of acceptance into the PTRS, a **PTR-SM2A**, for production to the UK payer of the interest. This will be issued subject to all the caveats about its conditional nature that accompany the normal PTR-SM2 letter.

In processing the syndicate’s application to join the PTR scheme, we will take the opportunity of re-appraising the information we have about the loan, and the old and new syndicate members, liaising with other parts of the Revenue and the Syndicate Manager as appropriate.

If the syndicate’s application is successful, we will cancel all the current individual SI 1970/488 Directions and replace them with a single Direction covering the whole loan.

Thereafter, further secondary loan transfers and lending member changes can be handled by both the Revenue and the Syndicate Manager under the PTR scheme’s normal review and reporting arrangements.

## ***11. Reporting of syndicate changes by a Syndicate Manager***

The administrative burdens for both sides will be kept appropriately “light”. A Syndicate Manager may want to place a syndicated loan into the PTR scheme before the syndicate’s membership has been extended beyond the loan’s original arrangers and co-arrangers. In which case, we are willing to proceed with the application provided the Syndicate Manager undertakes to provide details about the full “cast-list” of syndicate members at the conclusion of this “primary syndication” stage, when the syndicate may be said to be fully formed. The application form asks the Syndicate Manager to give an estimate of when the primary syndication will be concluded, so that the final composition of the syndicate can be confirmed to us at the appropriate time.

Subsequently, the Syndicate Manager will not be asked to notify us automatically of *every* subsequent change in the syndicate’s membership, but only where these involve changes in the proportions of the interest payments attracting treaty relief at differing rates. We only expect the syndicate manager to volunteer information about secondary trading changes where this involved a transfer of debt-right from one rate of treaty relief to another. This means that we do not expect to be told of a transfer from one member of a block to another where the amount of relief given under the two treaties is the same (say, from a US bank to a French bank, where full relief is granted under either treaty). But we will want to know if the US bank sold on to (say) a Japanese bank, as this means that the interest in question no longer attracts full relief - instead, under the UK/Japan treaty, the UK would be entitled to deduct tax at 10%.

When we have been told of such changes, we can then issue an amended SI Direction to the UK borrower not only to reflect the factual and legal basis of the relief, but also to give the UK company the comfort and protection such an amended Direction would provide. Subject to CNR being notified of changes timeously and being satisfied that double taxation treaty benefits are available to the lending members of the syndicate a revised SI Direction will be issued that is effective from the date of the change.

***Important:*** While these arrangements are designed to accommodate secondary trading and changes in syndicated debt-right, Syndicate Managers and participants should take particular care to remember that the scope of the PTRS covers payments to overseas **corporate members** only. The assignment, sale or other transfer of PTRS treaty-relieved debt-right to overseas non-corporate parties (*see also Part 6 of these notes*) will therefore constitute a fundamental material change sufficient to terminate the further application of the PTRS arrangements to the syndicate. In cases of doubt, a Syndicate Manager should contact CNR immediately.

## ***12. Periodic Review of individual syndicates***

We will generally look to set a review date of (say) 12 to 18 months after the issue of the formal SI 1970/488 Direction. Periodically, we will want confirmation of the membership of a syndicate - for example, at the preceding interest payment date. This

might involve us asking the Syndicate Manager to provide further information, such as copies of novation certificates. And if approaches to individual syndicate members are needed, we will route these through the Syndicate Manager, so that they are kept fully in the picture.

### ***13. Periodic Syndicate Manager Review***

We will want to learn about the detailed arrangements individual Syndicate Managers have in place to meet their PTR undertakings, and how exactly this is done by reference to the Syndicate Manager's standard operational practices for administering syndicates. We intend, on a cyclical basis, to ask *all* participating Syndicate Managers to respond to this sort of review. Such periodic reviews would typically take place no more than once every 2 to 3 years.

### ***14. Loan Documentation & Confidentiality***

With both One-to-One loans and syndicated loans, the Revenue will need to acquaint itself with all the parties to, and the terms of, a loan. The tax office for the borrower, for example, will want to be satisfied that the payments truly fall to be categorised as interest, and that Section 349 of ICTA 1988 will apply.

Ordinarily, the tax office will approach the UK payer after we have received a certified application from an overseas lender. When processing, we tell the tax office about the application, asking it to confirm and clear the salient points of the loan in question primarily from a factual and UK tax law point of view. We may also need to consider - with the involvement of Revenue International, or other interested Revenue parties - whether relief is prejudiced by the presence of factors that bring into play specific provisions of a double taxation treaty. An SI 1970/488 Direction is only issued when all these considerations have been explored and settled.

This process necessarily takes time. With low-risk situations such as those for which the PTR Scheme has been designed, we do not expect things to take as long as the more involved cases. But to help us speed things up, we would ask users of the scheme to bear in mind the advantages of providing us with adequate documentation at the very start. A copy of the Loan Agreement at least should accompany the PTR application, together with copies of any other documentation that may put CNR, and the tax office, fully in the picture as to the basis for both the loan and the case for treaty relief. In the case of syndicated loans, Agent Banks will often already have their own pro-forma summaries in the shape of term sheets and administrative fact request forms. If a Syndicate Manager feels that these will usefully supplement the Loan Agreement, please copy them to us. Bearing in mind considerations of commercial sensitivity, we can give our assurance that all information of this sort will be covered by the normal very strict Inland Revenue rules of taxpayer confidentiality. We will respect your right to business privacy, and will treat what you tell us as being in confidence.

### ***15. Future development of the PTR Scheme***

We will keep the PTR scheme under review with the aim of making improvements and refinements, and we will always welcome your views about this. If you have any comments or questions at all about these Guidelines, or about the scheme once it is up and running, please address them to

**Gordon Thomason or Brian Place**  
**DT Technical Advice**  
CNR  
Fitz Roy House  
PO Box 46  
Nottingham  
NG2 1BD.

Telephone +44 (0)115 974 2017; fax +44 (0)115 974 2063.

## ***16. “Turn-round” times***

It will clearly be in the interests of all our customers to set things in motion as early as possible. We are willing to consider acting on the basis of faxes, subject to receipt of originals by surface post.

We aim to make a decision about an application on either form PTR-PAY1 or PTR-SM1/SM1A within a working week. All being well, applicants should receive a provisional letter of authority by the end of this period, and we should have started the more in-depth processing of things.

## ***17. Obtaining PTR application forms***

Application forms for both One-to-One and Syndicated Loans are available to download from our website [http://www.inlandrevenue.gov.uk/cnr/ptr\\_guide.pdf](http://www.inlandrevenue.gov.uk/cnr/ptr_guide.pdf) and can also be obtained from

**DT Caseworkers**  
(Provisional Treaty Relief Scheme)  
Centre for Non-Residents  
Fitz Roy House  
PO Box 46  
Nottingham  
NG2 1BD

Alternatively, we will be happy to consider bulk orders for forms, which you can place with us on +44 (0)115 974 1945, or (preferably) fax your request to +44 (0)115 974 1918.

***Revision January 2003***



Centre for Non-Residents

A

Form PTR-PAY 1

Our reference: FD

'One-to-One' company loans - Provisional Treaty Relief Scheme for interest payments by UK companies - application by the UK company paying interest

- Please consult our PTR Guidelines before making any application. These are obtainable from us by ringing or faxing the numbers shown below, and will tell you about our terms and conditions.
Please give the information asked for below and complete and sign page 2. This should be done by an officer or authorised signatory of your company, and NOT by an agent. Then send the completed form to Centre for Non-Residents, DT Caseworkers at the address below.
To save time, you may if you wish fax us the completed and signed form at the number shown. We will act on a faxed copy, although we may need to contact you if any details need clarifying. But please also send us the original signed hard copy, with the loan documentation.
If your application is accepted, we will send you a provisional letter of authority to make interest payments to the non-resident lender which include the appropriate amount of treaty relief.
If you need any further information, please phone or fax us.

Centre for Non-Residents, DT Caseworkers, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD

Phone: 0115 974 1904

Fax: 0115 974 1918

Form with 8 numbered sections: 1 Your company's name and registered address. ('The borrower'.) 2 What is the name and reference number of the tax office dealing with your company's tax affairs? 3 What is the full name and address of the non-resident lender? ('The lender'.) 4 Please attach a copy of the Loan Agreement (see Part 14 of the Guidelines). 5 Date of loan 6 Amount borrowed 7 First interest payment date and frequency thereafter 8 Your contact details: Name, Address for correspondence (If not as at 1 above), Telephone number, Fax number, Reference (if any)

**'One-to-One'-company loans - Provisional Treaty Relief Scheme for interest payments by UK companies - application by the UK company paying interest**

On behalf of \_\_\_\_\_ ('the company')

I apply to take part in Provisional Treaty Relief Scheme for UK interest payments. I have read and understood the terms and conditions set out in the PTR Guidelines.

I understand that:

- any authority would be **provisional** only and conditional upon the Centre for Non-Residents receiving, within **three months** of the date of the issue of the provisional authority, the non-resident lender's application for relief under the relevant double taxation agreement.
- any provisional authority issued will be **withdrawn at the end of the three months period if the application for relief from the non-resident lender has not been received by the Centre for Non-Residents.**
- if the application from the non-resident lender is not received by the Centre for Non-Residents, or should the Centre for Non-Residents find for any reason that treaty relief is not due to the lender, **the Inland Revenue will require the company to pay the tax (and any related liabilities) that may be due in respect of all payments we have made.**
- the Centre for Non-Residents reserves the right to amend or withdraw any provisional authority issued under this scheme.

**And I certify that there is no common shareholding or ownership between the company and the lender.**

I apply for the company to be authorised provisionally to make interest payments that take account of the appropriate amount of double taxation relief.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Position in the company \_\_\_\_\_

Fitz Roy House  
PO Box 46  
Nottingham  
England  
NG2 1BD

Telephone: 0115 974  
International: +44 115 974

Fax: 0115 974 1918  
International: +44 115 974 1918

Date:  
Our Ref: FD  
Your Ref:

Dear

**PROVISIONAL AUTHORITY TO UK PAYER OF INTEREST**  
*Issued under the Centre for Non-Residents' Provisional Treaty Relief Scheme for  
"One-to-One" company loans*

**Provisional relief under Article of the UK/  
Double Taxation Agreement**

Further to your application of for provisional treaty relief, I confirm that you may now make interest payments under the loan agreement dated to

without deduction of tax/under deduction of tax at %

**Please note that payment on this basis is at your own risk**, and is subject to the following conditions:

- ◆ the Centre for Non-Residents must receive a formal application for relief at source from the overseas lender within **3 months** of the date of this authority. It will be for you and the lender to ensure that this gets to us within the time allowed.

**If we do not receive the application within 3 months, we will cancel this provisional authority.** The Inland Revenue will expect your company to account to it for all the tax (together with any interest on that tax) that ought to have been deducted from payments already made under this provisional authority. We will write and tell you if this is the case.

If the Centre for Non-Residents receives the application within 3 months, we will process it under our normal procedures. This will also involve your tax office. Then,

- if the application is successful we will issue a formal notice to you,
- **but** if, for whatever reason, the application is unsuccessful (or if relief is due only in part), the Inland Revenue will expect your company to pay any tax that is then found to be due for interest payments already made, together with any interest on that tax.

The Centre for Non-Residents reserves the right to cancel or modify this provisional authority at any time.

We are sending a copy of this letter to your tax office.

Yours faithfully

**DT Caseworkers**

## **Syndicated loans - Provisional Treaty Relief Scheme for interest payments by UK companies - application by a Syndicate Manager of a new syndicate**

- Please give the information asked for below and complete and sign page 2. This should be done by an officer or authorised signatory of your firm. Then send the completed form to **the Centre for Non-Residents DT Caseworkers** at the address below.
- To save time, you may want to fax us the completed and signed form. We will act on a faxed copy, although we may need to contact you if any details need clarifying. But please also **send us the original signed hard copy**.
- If your application is accepted, we will send you a provisional letter of authority which you must produce to UK companies paying interest to your syndicate. This will allow them to make interest payments which include the appropriate amount of treaty relief, although they may prefer to deduct tax from the payments and wait for a formal notice from the Centre for Non-Residents. A provisional authority is permissive only, with an element of contingent risk, and does not have the same legal effect as a formal notice.
- This form is inappropriate if you are a syndicate with lending members already covered by the Centre for Non-Residents exemption notices. You will need to complete a form PTR-SM1A. **Please refer to Part 10 of the PTR Guidelines.**
- If you need any further information, please phone or fax us.

**Centre for Non-Residents, DT Caseworkers, Fitz Roy House, PO Box 46, Nottingham NG2 1BD**

**Phone:** 0115 974 1904

**Fax:** 0115 974 1918

<p><b>1</b> Your firm's name and address, and the name of the syndicate (if applicable) for which you are acting as Syndicate Manager. (Giving a name to a syndicate will greatly help both sides in identifying and distinguishing it in our dealings.) Please give the name(s) and contact details of the person(s) in your business handling this.</p>		
<p><b>2</b> Please provide a copy of the Loan Agreement, and any other loan documentation that would help us to understand things (e.g. Term Sheets or syndicate administration pro-formas). These will be passed on to the tax office(s) for the UK payer(s) as part of the processing of your application. <b>See Part 14 of the Guidelines.</b></p>		
<p><b>3</b> Please list on separate sheets the names and addresses of the lending members of your syndicate, grouped in country-specific "Blocks", detailing the individual percentage shares of the UK interest payments to which they are beneficially entitled. <b>See Part 8 of the Guidelines.</b> If the facility office of a lender is different from its country of residence, both should be given. (A suggested format for this purpose is attached.)</p>		
<p><b>4</b> Names and addresses of the UK corporate borrowers who will pay interest, their tax offices and references and the amount of the loan attributable to each. (Attach a separate sheet if necessary.)</p>		
<p><b>5</b> Date of the loan</p>	<p><b>6</b> Amount borrowed/maximum amount of facility</p>	<p><b>7</b> First interest payment date and frequency thereafter</p>

## **Syndicated loans - Provisional Treaty Relief Scheme for interest payments by UK companies - application by a Syndicate Manager of a new syndicate**

### **IMPORTANT**

Are you making this application before all the lending members of the syndicate are known? (✓ as appropriate)  Yes  No

If 'Yes', on what date do you expect the syndicate to be complete?

*Please insert a date so that we can review as necessary*

On behalf of this firm and all the members of the \_\_\_\_\_ syndicate I declare that we are authorised by all the parties to the syndicate to act in this matter, and that we understand and agree to the terms and conditions of the Centre for Non-Residents' Provisional Treaty Relief Scheme, as published in the Centre for Non-Residents' PTR "Guidelines".

We understand that:

- any authority would be **provisional** only and be conditional upon the Centre for Non-Residents issuing in due course to each UK payer of interest a notice under SI 1970/488 for the syndicate.
- and that should, for any reason, treaty relief not be due to those lenders to the extent covered by this application, **the Inland Revenue will require the UK borrower(s) to pay the tax (and any related liabilities) that may be due in respect of all payments already made.** We undertake to make the UK borrower(s) fully aware of their contingent obligations, and in particular to provide it with a complete copy of any provisional authority issued to us under these provisions. In the event that any contingent liability is realised, we will advise the borrower(s) as soon as possible that any payments should be made to their own Accounts Office and *not* to ourselves.
- we undertake further to co-operate fully with the Centre for Non-Residents and the Inland Revenue in providing all information reasonably requested of us to help process the syndicate's application, and in pursuit of the Reporting and Review provisions of the Guidelines.
- the Centre for Non-Residents reserves the right to amend or withdraw any provisional authority issued under the PTR scheme or to remove a loan from the operation of the scheme.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Position \_\_\_\_\_

### **Format for listing by "Blocks" the lending members of a Syndicate**

Each list or Block should be preceded by the name of the syndicate and a statement to the effect that:

"The following are lending members of the syndicate who have been represented to the Syndicate Manager as being  
resident in .....(name of country), OR  
resident in the UK but being banks within the meaning of Section 840A ICTA 1988, OR  
resident in the UK (other than S840A banks)."

This should be followed by a list of the appropriate lending members, detailing their complete names and addresses (together with full details of any relevant facility office, if different).

**Centre for Non-Residents**

Fitz Roy House  
PO Box 46  
NOTTINGHAM  
England  
NG2 1BD

Date:  
Your Ref:  
Our Ref: FD

Telephone: 0115 974  
International: +44 115 974  
Fax: 0115 974 1918  
International Fax: +44 115 974 1918

*\*Minicom*

Dear

**LETTER OF ACCEPTANCE INTO THE PTR SCHEME**

***issued under CNR's Provisional Treaty Relief Scheme, where an application has been made on behalf of a new syndicate***

[name of syndicate]

I refer to your application on form PTR-SM1 dated [ ].

Subject to the conditions contained in this letter and also in the enclosed **SCHEDULE**, I agree that interest may be paid to reflect the specified rates of double taxation relief.

Please note that I have issued this letter of acceptance into the scheme solely on the information supplied by you. This means that I have accepted that the residence for tax purposes of the syndicate members is as stated in the application on form PTR-SM1. However, **residence is not of itself conclusive in determining the success or failure of a claim for treaty relief, and this excludes the possibility that some other factor or element of the loan, of which you may be unaware, will prejudice the relief being sought.** We will write and tell you if this turns out to be the case.

In the event that we need to revoke the acceptance of your Syndicate into the PTR Scheme, you will be required to

- **notify each UK payer affected** that interest payments must thereafter be made subject to full deduction of tax, pending the making of a successful application by each eligible lending member of the syndicate to CNR for us to issue a formal SI 1970/488 notice allowing treaty relief at source, **and**
- **remind each UK payer of its continuing liability** to account for all the tax (together with any interest on that tax) that ought to have been deducted from payments already made.

Please note that a failure on your part to meet any of these conditions may be taken into consideration by us should you apply to take advantage of our PTR Scheme in the future.

CNR reserves the right to cancel or modify the terms of this acceptance at any time.

You **MUST** give a full copy of this letter to each of the UK interest payers wishing to take advantage of its terms. The payer may need to produce the copy letter to their own tax office.

Yours faithfully

**DT Caseworkers**

**SCHEDULE**  
**to a PTR-SM2 letter of acceptance into the Provisional Treaty Relief Scheme for Interest given to the Syndicate Manager for production to UK payers of interest**

**IMPORTANT NOTE TO UK PAYERS**

This is a *provisional* authority only. **You are under no obligation to have regard to its terms when you make interest payments that are caught by Section 349 of the Income and Corporation Taxes Act 1988.** If you prefer, you may continue to deduct and account for tax in full to your tax office as usual.

But if you do give treaty relief in accordance with this authority, you should

ensure that the Syndicate Manager has given you a **full copy of this authority**, so that you may produce it to your tax office

be aware of the risk that

- the provisional authority might be **cancelled**, or

- CNR may find that **relief is not available or available in part only**, because of reasons not founded solely on the residence position of the syndicate members

and that **you will then be required to account for all the tax (and interest, if relevant) that ought to have been deducted from payments already made.** In this event, you should take immediate steps to pay the tax due (together with any interest on that tax) to the Accounts Office in the normal way.

<b>UK payer(s) of interest to which this authority applies.</b>	<b>Tax to be deducted at the percentage rate of</b>	<b>Block of lending members of the syndicate</b>
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**Syndicated loans - Provisional Treaty Relief Scheme for interest payments by UK companies - application by a Syndicate Manager of an existing syndicate**

- Please give the information asked for below and complete and sign page 2. This should be done by an officer or authorised signatory of your firm. Then send the completed form to **CNR DT Caseworkers** at the address below.
- To save time, you may want to fax us the completed and signed form. We will act on a faxed copy, although we may need to contact you if any details needs clarifying. But please also **send us the original signed hard copy**.
- If your application is accepted, we will send you a provisional letter of authority which you can then produce to UK companies paying interest to your syndicate. This will allow them to make interest payments which include the appropriate amount of treaty relief, although they may prefer to deduct tax from the payments and wait for a formal notice from CNR. A provisional authority is permissive only, with an element of contingent risk, and does not have the same legal effect as a formal notice.
- **Please refer to Part 10 of the PTR Guidelines.** In particular, please note that we will consider accepting an existing syndicated loan into the PTR Scheme with the entry of a new lending member only. In addition, the PTR scheme is inappropriate where one or more of the existing members have already applied for treaty relief and their application(s) are unresolved.
- If you need any further information, please phone or fax us.

**Centre for Non-Residents, DT Caseworkers, Fitz Roy House, PO Box 46, Nottingham NG2 1BD**

**Phone:** 0115 974 1904

**Fax:** 0115 974 1918

<p><b>1</b> Your firm's name and address, and the name of the syndicate (if applicable) for which you are acting as Syndicate Manager. (Giving a name to a syndicate will help both sides in identifying and distinguishing it in our dealings.) Please give the name and contact details of the person(s) in your business handling this.</p>		
<p><b>2 (a)</b> Please list on separate sheets the names and addresses of the lending members of your syndicate, grouped in country-specific 'Blocks', detailing the individual percentage shares of the UK interest payments to which they are beneficially entitled. <b>See Part 8 of the Guidelines.</b> If the facility office of a lender is different from its country of residence, both should be given. (A suggested format for this purpose is attached.) Please indicate prominently in each Block those lending members who are new to the syndicate.</p> <p><b>(b) Important -</b> Please give the references under which CNR dealt with previous applications for treaty relief from the old members of the syndicate. (This should enable us to trace any documentation we have on file, so that we don't need to ask you to supply us with additional copies. <b>See Part 14 of the Guidelines.</b>)</p>		
<p><b>3</b> Names and addresses of the UK corporate borrowers who are paying interest, their tax offices and references and the amount of the loan attributable to each. (Attach a separate sheet if necessary.)</p>		
<p><b>4</b> Date of the loan</p>	<p><b>5</b> Amount borrowed/maximum amount of facility</p>	<p><b>6</b> Interest payment dates</p>

*Please turn over*

## **Syndicated loans - Provisional Treaty Relief Scheme for interest payments by UK companies - application by a Syndicate Manager of an existing syndicate**

On behalf of this firm and all the members of the \_\_\_\_\_ syndicate I declare that we are authorised by all the parties to the syndicate to act in this matter, and that we understand and agree to the terms and conditions of CNR's Provisional Treaty Relief Scheme, as published in CNR's 'PTR Guidelines'.

We understand that:

- any authority would be **provisional** only so far as it applied to a lending member of the syndicate not already covered by a notice under SI 1970/488, and would be conditional upon CNR issuing in due course to each UK payer of interest a notice under the SI for the syndicate.
- and that should, for any reason, treaty relief not be due to those lenders to the extent covered by this application, **the Inland Revenue will require the UK borrower(s) to pay the tax (and any related liabilities) that may be due in respect of all payments already made.** We undertake to make the UK borrower(s) fully aware of their contingent obligations, and in particular to provide it with a complete copy of any provisional authority issued to us under these provisions. In the event that any contingent liability is realised, we will advise the borrower(s) as soon as possible that any payments should be made to their own Accounts Office(s) and *not* to ourselves.
- we undertake further to co-operate fully with CNR and the Inland Revenue in providing all information reasonably requested of us to help process the syndicate's application, and in pursuit of the Reporting and Review provisions of the Guidelines.
- CNR reserves the right to amend or withdraw any provisional authority issued under the PTR scheme or to remove a loan from the operation of the scheme.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Position \_\_\_\_\_

### ***Format for listing by 'Blocks' the lending members of a Syndicate***

Each list or Block should be preceded by the name of the syndicate and a statement to the effect that:

"The following are lending members of the syndicate who have been represented to the Syndicate Manager as being

resident in .....(name of country), OR  
resident in the UK but being banks within the meaning of Section 840A ICTA 1988, OR  
resident in the UK (other than S840A banks)."

This should be followed by a list of the appropriate lending members, detailing their complete names and addresses (together with full details of any relevant facility office, if different).

New members of the syndicate should be prominently identified as such, giving the date from which they became beneficially entitled to interest. CNR references should be shown for old members of the syndicate where we have considered that member's treaty relief position for the loan in the past.

**Centre for Non-Residents**

Fitz Roy House  
PO Box 46  
NOTTINGHAM  
England  
NG2 1BD

Date:  
Your Ref:  
Our Ref: FD

Telephone: 0115 974  
International: +44 115 974  
Fax: 0115 974 1918  
International Fax: +44 115 974 1918

Dear

**LETTER OF ACCEPTANCE INTO THE PTR SCHEME**

*issued under CNR's Provisional Treaty Relief Scheme, where an application has been made on behalf of an existing syndicate*

[name of syndicate]

I refer to your application on form PTR-SM1A dated [ ].

Subject to the conditions contained in this letter and also in the enclosed **SCHEDULE**, I agree that interest may be paid to reflect the specified rates of double taxation relief.

Please note that I have issued this letter of acceptance into the scheme solely on the information supplied by you. This means that I have accepted that the residence for tax purposes of the syndicate members is as stated in the application on form PTR-SM1. However, **residence is not of itself conclusive in determining the success or failure of a claim for treaty relief, and this excludes the possibility that some other factor or element of the loan, of which you may be unaware, will prejudice the relief being sought.** We will write and tell you if this turns out to be the case.

In the event that we need to revoke the acceptance of your Syndicate into the PTR Scheme, you will be required to

- **notify each UK payer affected** that interest payments must thereafter be made subject to full deduction of tax, pending the making of a successful application by each eligible lending member of the syndicate to CNR for us to issue a formal SI 1970/488 notice allowing treaty relief at source, **and**
- **remind each UK payer of its continuing liability** to account for all the tax (together with any interest on that tax) that ought to have been deducted from payments already made.

Please note that a failure on your part to meet any of these conditions may be taken into consideration by us should you apply to take advantage of our PTR Scheme in the future.

CNR reserves the right to cancel or modify the terms of this acceptance at any time.

You **MUST** give a full copy of this letter to each of the UK interest payers wishing to take advantage of its terms. The payer may need to produce the copy letter to their own tax office.

Yours faithfully  
**DT Caseworkers**

## PTR-SM2A

### SCHEDULE

to a PTR-SM2A letter of acceptance into the Provisional Treaty Relief Scheme for Interest given to the Syndicate Manager for production to UK payers of interest

#### IMPORTANT NOTE TO UK PAYERS

This is a *provisional* authority only. You are under no obligation to have regard to its terms when you make interest payments that are caught by Section 349 of the Income and Corporation Taxes Act 1988. If you prefer, you may continue to deduct and account for tax in full to your tax office as usual.

But if you do give treaty relief in accordance with this authority, you should

ensure that the Syndicate Manager has given you a **full copy of this authority**, so that you may produce it to your tax office

be aware of the risk that

- the provisional authority might be **cancelled**, or
- CNR may find that **relief is not available or available in part only**, because of reasons not founded solely on the residence position of the syndicate members

and that **you will then be required to account for all the tax (and interest, if relevant) that ought to have been deducted from payments already made**. In this event, you should take immediate steps to pay the tax due (together with any interest on that tax) to the Accounts Office in the normal way.

UK payer(s) of interest to which this authority applies.

Tax to be deducted at the percentage rate of

Block of lending members of the syndicate