

NON-RESIDENTS AND INVESTMENT INCOME

This Help Sheet explains how income from UK savings and investments (such as interest from banks or building societies, unit trusts, National Savings, or dividends from UK companies) is taxable if you are not resident in the UK.

It includes a Working Sheet, which you only need to use if you decide to calculate your tax.

HOW IS INVESTMENT INCOME CHARGED TO TAX?

With the exception of income from property in the UK and investment income connected to a trade in the UK through a branch or agency, the tax charge for non-residents on investment income arising in the UK is restricted to the amount of tax, if any, deducted at source.

GETTING ADVICE

This Help Sheet explains the restriction, but it is only an introduction. If you are in any doubt about whether the restriction applies or how it operates, ask your Tax Office or tax adviser.

The Financial Intermediaries and Claims Office will also be pleased to help at the address shown below:

Financial Intermediaries and
Claims Office (FICO) International
St John's House
Merton Road
Bootle
Merseyside
L69 9BB Telephone: 0151 472 6000

HOW DOES THE RESTRICTION WORK?

If you are not resident in the UK, the tax you pay on all your income cannot be more than:

- the amount of tax that would be chargeable on income, other than the 'excluded income' shown below, but before the deduction of any personal allowances due

plus

- the amount of tax deducted at source from the 'excluded income'.

'Excluded income' includes:

- interest from banks and building societies
- dividends from UK companies
- income from unit trusts

- income from National Savings
- profits from public revenue dividends
- profits or gains from transactions in deposits
- certain social security benefits, such as National Insurance retirement pensions or widows pensions.

CALCULATING YOUR TAX

If you want the Inland Revenue to calculate your tax for you, you can ignore the rest of this Help Sheet.

If you have decided to calculate your tax yourself, you will need to compare the amount of tax that would otherwise be due with the amount due as shown by this Help Sheet.

This is to make sure that you do not pay too much tax. In some circumstances, you will be better off paying tax as if you were resident in the UK.

Use the Working Sheet on page 3 to make the comparison. There are instructions on how to fill it in, and an example on pages 4 and 5.

The box number references ('W') in this Help Sheet are to the Working Sheet in the standard Tax Calculation Guide. References to the Tax Calculation Guide for people with capital gains ('G') or the Guide for people with certain lump sum and other payments ('L') or the Guide for people with both ('F') are shown in brackets.

Working out the limit of your liability

First, fill in the Working Sheet in your Tax Calculation Guide up to and including

- box W47 (or box G64, or box L69, or box F69).

Then, work out the limit of your liability by filling in the Working Sheet on page 3 of this Help Sheet, following the instructions on page 2.

boxes 1 to 3 Enter the details of the 'excluded' income, showing the totals of the net income, tax deducted at source, tax credits or notional income tax, and the gross income.

box 4 Enter your total gross income for the year. Copy the figure from box W21 (or box G21, or box L21, or box F21) in your Working Sheet in the Tax Calculation Guide.

box 5 Enter the total income for the year *minus* the income referred to under the heading 'How does the restriction work' (on page 1). You can deduct the figure in box 3 from the figure in box 4.

boxes 6 to 9 You pay Income Tax at 20% on the first £3,900 of your income. Calculate Income Tax on all your income at 20%. If your income is more than £3,900, calculate Income Tax at an additional 4%. This adds up to 24% tax on your income in the basic rate band.

boxes 10 to 12 Then calculate an additional 16% tax on the income in the higher rate band (over £25,500). This is done in boxes 10 and 11 and the total tax due is shown at box 12.

boxes 13 to 16 Some allowances and reliefs are given to you by taking them off the tax you have to pay:

- interest on loans to purchase a home. The notes on box 15.2 in your Tax Return Guide explain which figure to put in box 13.
- maintenance or alimony paid. The notes on boxes 15.4 and 15.5 in your Tax Return Guide explain which figure to put in box 14.

Add up the figures in boxes 13 and 14. Enter the result in box 15. Multiply the figure in box 15 by 15% and enter the result in box 16.

box 17 Enter the amount of tax credit relief due, if any.

box 18 Subtract the figures in boxes 16 and 17 from the figure in box 12 and put the result in box 18.

box 19 The maximum amount of Income Tax due from you is the total of the amount due after allowances and reliefs (except for personal allowances) and the amount of tax, if any, deducted at source. Calculate this by adding the figure in box 18 to the figure in box 2; the result is the maximum amount of Income Tax due. Enter this figure in box 19.

Filling in the rest of the Working Sheet in your Tax Calculation Guide

Follow the instructions in your Tax Calculation Guide for completing the rest of the Working Sheet. But if the figure in box 19 of this Working Sheet is less than the figure in box W47 (or box G64 or box L69 or box F69) use the box 19 figure instead of the box W47 figure to arrive at the total for box W50 (or box G67 or box L72 or box F72).

Maximum Income Tax Working Sheet

See instructions, and example on pages 4 and 5

Excluded income

Net income

£
£
£
£

Tax deducted

£
£
£
£

Gross income

£
£
£
£

total column above
1 £

total column above
2 £

total column above
3 £

Total gross income for the year

4 £

Total gross income except for excluded income

box 4 minus box 3
5 £

box 5 x 20%
6 £

If the figure in box 5 is £3,900 or less, copy the figure in box 6 to box 7. Do not fill in boxes 7 to 11.
If the figure in box 5 is more than £3,900, deduct £3,900 and enter the excess in box 7.

box 5 minus £3,900
7 £

box 7 x 4%
8 £

Total tax due at the lower and basic rates

box 6 + box 8
9 £

If the figure in box 5 is £25,500 or less, copy the figure in box 9 to box 12. Do not fill in boxes 10 to 11.
If the figure in box 5 is more than £25,500, deduct £25,500 and enter the excess in box 10.

box 5 minus £25,500
10 £

box 10 x 16%
11 £

Total tax due at the lower, basic and higher rates

box 9 + box 11
12 £

Allowances and reliefs

- Interest on loans to purchase a home
- Maintenance or alimony paid
- Allowances and reliefs for the year
- Tax credit relief

box 15.2
13 £

boxes 15.4 or 15.5 (see Notes in the Tax Return Guide)
14 £

box 13 + box 14
15 £

box 15 x 15%
16 £

17 £

• **Income Tax due after allowances and reliefs, except for 'excluded' income**

box 12 minus boxes 16 and 17
18 £

• **Maximum amount of Income Tax due**

box 2 + box 18
19 £

Example

Christine is a non-resident with total income for the year of £50,000 of which £30,000 is 'excluded' income being bank interest (£5,000) and company dividends (£25,000 gross).

She is entitled to personal allowances as a Commonwealth citizen.

Having chosen to calculate her tax, she works through the Working Sheet in the Tax Calculation Guide, which shows Income Tax due after allowances and reliefs of £13,618.90; then she fills in the Working Sheet on page 3 of this Help Sheet. This shows that the maximum charge to Income Tax is £9,644.

This smaller figure is entered in box W50 (or box G67, or box L72, or F72) in the Working Sheet in the Tax Calculation Guide. Finish the Working Sheet in the Tax Calculation Guide to work out the overall reduced tax liability.

Maximum Income Tax Working Sheet

See instructions, and example on pages 4 and 5

Excluded income	Net income	Tax deducted	Gross income
UK company dividends	£ 20,000	£ 5,000	£ 25,000
	£	£	£
	£	£	£
	£	£	£
	total column above	total column above	total column above
1	£ 25,000	2	£ 5,000
		3	£ 30,000
Total gross income for the year		4	£ 50,000
Total gross income except for excluded income		5	£ 20,000
		6	£ 4,000
If the figure in box 5 is £3,900 or less, copy the figure in box 6 to box 12. Do not fill in boxes 7 to 11. If the figure in box 5 is more than £3,900, deduct £3,900 and enter the excess in box 7.			
		7	£ 16,100
		8	£ 644
Total tax due at the lower and basic rates		9	£ 4,644
If the figure in box 5 is £25,500 or less, copy the figure in box 9 to box 12. Do not fill in boxes 10 to 11. If the figure in box 5 is more than £25,500, deduct £25,500 and enter the excess in box 10.			
		10	£
		11	£
Total tax due at the lower, basic and higher rates		12	£ 4,644
Allowances and reliefs			
• Interest on loans to purchase a home		13	£
• Maintenance or alimony paid		14	£
• Allowances and reliefs for the year		15	£
• Tax credit relief		16	£
		17	£
• Income Tax due after allowances and reliefs, except for 'excluded' income		18	£ 4,644
• Maximum amount of Income Tax due		19	£ 9,644

IR300 (NET)

Example: extract from page 7 of the Tax Calculation Guide

from box W21		W22 £ 50,000	box W22 + box W23	W24 £ 50,000	If any of the sums on this page results in a negative amount, enter a zero in the appropriate box
		W23 £			
		W25 £ 3,765	box W24 minus box W25	W26 £ 46,235	box W26 x 20%
			<small>If the figure in box W26 is £3,900 or less, do not fill in boxes W28 to W38</small>		W27 £ 9,247
		W28 £ 30,000	box W26 minus box W28	W29 £ 16,235	
			box W29 minus box W30	W31 £ 12,335	box W31 x 4%
		W30 £ 3,900			W32 £ 493.40
			box W26 minus box W23 minus box 12.9	W33 £ 46,235	
		W34 £ 25,500	box W33 minus box W34	W35 £ 20,735	box W35 x 16%
			lower of box W28 or box W35	W37 £ 20,735	box W37 x 4%
					boxes W27 + W32 + W36 + W38
					W39 £ 13,887.40
to W25		Income Tax due			
		• Venture Capital Trust and Enterprise Investment Scheme subscriptions	box 15.7 + box 15.8	W40 £	box W40 x 20%
					W41 £
				W42 £ 1,790	box W42 x 15%
					W43 £ 268.50
					W44 £
		• Tax credit relief on foreign income			from box 6.9
					W45 £
					boxes W41 + W43 + W44 + W45
					W46 £ 268.50
					box W39 minus box W46
			<small>If the figure in box W46 is more than the figure in box W39, enter a zero</small>	W47 £ 13,618.90	
		• Recoverable tax on charitable covenants, annuities and Gift Aid payments (box W17 x 24%)		W48 £	
		• Class 4 National Insurance Contributions (from box 3.92 or (box 4.22 minus box 4.75))		W49 £	
to W42		Income Tax due, after allowances and reliefs			
		Income Tax and Class 4 National Insurance Contributions		boxes W47 + W48 + W49	W50 £ 9,644
				Copy figure in box W50 to box W50 on page 8	

If the figure in box 19 in the Working Sheet on page 3 of this Help Sheet is less than the figure in box W47, do not enter the figure in box W47 in box W50, but add the figure in box 19 to any figures in boxes W48 and W49 and enter the result in box W50.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.

DUAL RESIDENTS

This Help Sheet gives information to enable you to decide whether you are a resident of the UK or another country for the purposes of applying the provisions of the Double Taxation Agreement between the UK and that other country.

It includes a form on which you can claim any exemption or relief from UK tax available under such provisions, if you are a resident of the other country for the purposes of the Double Taxation Agreement. Remember to include any relief you are claiming in box 6.9 of the Foreign Pages of your Tax Return.

WHO NEEDS THIS HELP SHEET?

You only need to read and, where appropriate, fill in this Help Sheet if you have ticked both box 9.1 and box 9.8 of the Non-residence etc. Pages indicating that you are 'dual-resident', that is to say:

- resident in the UK for all or part of the year ended 5 April 1997 and, during the same period
- resident for tax purposes in a country with which the UK has a Double Taxation Agreement (DTA),

and the terms of the DTA enable you to claim relief or exemption from UK tax on income arising in the UK.

A list of the countries with which the UK has a DTA is shown on page NRN6 of the Notes for the Non-residence etc. Pages.

Relief or exemption is **not** available if:

- you are dual-resident in the UK and in a country with which the UK does **not** have a DTA, or
- you are dual-resident in the UK and in one of the Agreement countries listed on page 3 of this Help Sheet.

In those circumstances, you will only be entitled to claim relief from UK tax by way of credit for foreign tax paid on overseas income or gains (see the Foreign Pages and Notes), and should not complete the claim form attached to this Help Sheet.

PURPOSE OF THE HELP SHEET

The Help Sheet explains how most DTAs resolve the question of dual-residence and how liability to UK tax can be affected by the outcome.

Since, however, not all DTAs are the same, it is essential, when considering whether any exemption or relief from UK tax may be due **to look at the text of the particular agreement concerned.**

It is not possible to give full details of the relevant provisions in this Help Sheet as they vary from agreement to agreement.

Your Tax Office or tax adviser will help you resolve questions about particular provisions in a DTA.

RESIDENCE FOR THE PURPOSES OF A DOUBLE TAXATION AGREEMENT - CONSEQUENCES FOR TAX LIABILITY

Different countries use different criteria to decide whether someone is a resident for tax purposes. It is therefore quite possible for an individual to be regarded as resident for tax purposes under the laws of more than one country ('dual-resident').

The residence Article in most modern DTAs provides 'tie-breaker' rules for determining in which of the two States an individual who is dual-resident under the respective domestic laws should be treated as resident **for the purposes of the Agreement**. The most commonly found tie-breaker tests are set out on page 2. The provisions do not always appear in the same order in all DTAs, nor do they appear at all in some Agreements. **It is therefore vital that the terms of the particular agreement with which you are concerned are consulted.**

If the tie-breaker rules award residence for the purposes of the DTA to the other country, UK tax liability is usually affected.

People who are resident for DTA purposes in the other country are entitled to make claims to relief from UK tax on the basis that they are a resident of the other State. As a result, income or gains of a type which is dealt with in the Agreement and which arises in the other State is exempt from UK tax.

Income arising in third countries will also be exempt if the particular DTA contains an article dealing with 'Other income'. UK-source income will remain taxable in the UK but only to the extent permitted by the DTA with the country of which an individual is a resident. Depending upon the terms of the particular DTA, UK income might remain fully taxable in the UK, or be taxable in the UK at a lower rate than that provided for in UK domestic law, or exempt from UK tax altogether. Special rules, however, apply where any income (including foreign income) is connected with a business or profession which an individual carries on in the UK. Again it is important to look closely at the provisions of the DTA in question, since no two DTAs are identical.

If you need information about the effect of the provisions of a DTA on a specific source of UK income, in particular dividends, interest, royalties, pensions and annuities, it can be obtained from the Financial Intermediaries and Claims Office at:

FICO (International) Nottingham
Fitz Roy House
PO Box 46
Nottingham
NG2 1BD.

If the tie-breaker rules award residence for the purpose of the DTA to the UK, you will remain liable to UK tax on the whole of your worldwide income and gains. You may, however, be entitled to relief from tax in the other country as a resident of the UK for the purposes of the DTA. The precise terms of the particular Agreement must be consulted since no two Agreements are exactly the same. FICO (International) Nottingham (see page 1) has stocks of overseas forms on which claims for relief from foreign tax can be made if appropriate.

Although a DTA overrides some of the normal consequences of being a UK resident, it does not override the fact of UK residence itself for purely domestic law purposes. Therefore, even if, by virtue of the tie-breaker provisions in a DTA, you are resident in another country for the purposes of the DTA between the UK and that State, you will still have to complete UK Tax Returns and fulfil any similar obligations imposed by the UK Taxes Acts. You may also be UK resident for the purpose of claiming relief from foreign tax under DTAs between the UK and other countries. And you will remain entitled to any personal allowances due on account of your status as a UK resident under domestic law.

THE OECD MODEL TAX CONVENTION RESIDENCE TIE-BREAKER RULES

The residence tie-breaker rules in most recent UK DTAs closely follow those in the Model Tax Convention of the Organisation for Economic Co-operation and Development (OECD). They comprise a series of tests to be applied successively until residence for the purposes of the Agreement is allocated to one State or the other. In other words, once a test is conclusive it is unnecessary to apply subsequent tests. The tests usually appear in the order of:

- permanent home
- centre of vital interests
- habitual abode
- nationality.

— Permanent home

You will be a resident only of the State in which you have a 'permanent home' available to you for the period of dual-residence. A permanent home is any form of accommodation which is continuously available to you for your personal use. It does not necessarily have to be owned by you. But a property which you let out will not be a permanent home because the fact that it is let to someone else means that it is not continuously available for your own use.

The test will be inconclusive if you have a 'permanent home' in **both** countries. In those circumstances you should move on to the next test ('centre of vital interests'). If you have a 'permanent home' in neither country, move on to the next but one test ('habitual abode').

— Centre of vital interests

You will be a resident of the State with which your 'personal and economic relations' are closer. This is known as your *centre of vital interests*. 'Personal and economic relations' is a wide expression intended to cover the full range of social, domestic, financial, political and cultural links. The whole range of these factors must be taken into account, but considerations based upon your personal acts are given special weight.

For example, if you have a home in the UK and set up another in the other State while retaining the first, the fact that you have retained your home in the UK, where you have lived, worked and where your family and possessions are, can, together with other factors, go to demonstrate that your centre of vital interests remains in the UK.

If it is not possible to determine with which of the two States your personal and economic relations are closer, perhaps because the range of factors is broadly balanced between the two, then the test will be inconclusive and you should move on to the next one.

— Habitual abode

You will be a resident of the State in which you have an 'habitual abode'. This broadly means the State in which, over a reasonable period, you stay more frequently. The comparison must be made over a sufficient length of time for it to be possible to determine whether residence in either of the two countries has become 'habitual'.

If you cannot be said to have an habitual abode in either of the two countries, you should move on to the next test.

— Nationality

You will be a resident of the State of which you are a national. Ultimately, since in theory **all** these tests may prove inconclusive (even the last, since it is possible to have dual nationality, or to be a national of neither State), DTAs normally provide for the tax authorities of the two countries to settle the matter by negotiation. In practice, very few claims reach this stage.

OTHER FORMS OF RESIDENCE ARTICLE IN DOUBLE TAXATION AGREEMENTS

Some of the UK's older DTAs, mainly with former colonies in the Caribbean, but also including the agreements with Guernsey, Jersey, and the Isle of Man, define a resident of one country as a person who is resident there for the purposes of that country's tax and not resident for tax purposes in the other country. If, therefore, you are dual-resident in the UK and one of the countries listed below, you will only be able to obtain relief by way of credit for one country's tax against the other's, and do not need to complete the claim form attached to this Help Sheet.

Antigua	Guernsey	Montserrat
Belize	Isle of Man	Myanmar
Brunei	Jersey	St. Kitts
Faroese	Kiribati	Sierra Leone
Greece	Lesotho	Solomon Islands
Grenada	Malawi	Tuvalu

CERTIFICATE OF OVERSEAS RESIDENCE

If you:

- are resident in the UK under domestic law, **and**
- are also resident in another country under that country's rules, **and**
- wish to claim that you are a resident of the other country for the purposes of the DTA between the UK and that other country,

then you need to obtain a certificate from the overseas tax authority confirming that it regards you as resident there under its domestic law for the period in question, **which must be stated on the certificate.**

The certificate should be attached to your completed claim on pages 5 to 8 of this Help Sheet and sent with your Tax Return.

SPECIAL CASE - THE UNITED STATES OF AMERICA

Special rules apply where the other country is the United States of America, if you are claiming to be a resident of the United States for the purposes of the UK/US DTA. Statements concerning residence should not normally be sought from the United States Internal Revenue Service. This is because the United States operates a special system whereby it taxes its 'citizens' on their world-wide income, wherever they may be resident. US citizens are not, however, necessarily 'residents' of the United States for the purposes of the DTA.

So, if you wish to make a claim as a dual UK/US resident who is a resident of the US for the purposes of the DTA, the procedure to be adopted depends upon whether or not you are a US citizen.

— US citizens

If your claim is in respect of earned income, you will be regarded as US resident if:

- the income in question arose during a period of 11 months or less spent in the UK, **and**
- that period represents an interval between two periods when you have been living in the United States, **and**
- you have spent no more than one month in the UK since the period of 11 months or the two years which preceded that period.

If **any** of the above three conditions are not met, then your US residence status must be considered by reference to the following rules.

You will be US resident if:

- you were present in the US on at least 31 days in the calendar year under test, **and**
- the sum total of days on which you were present in the US in the year under test and in the two preceding years adds up to at least 183 days. For the purposes of this calculation a day spent in the US in the year of test counts as 1/3, and a day in the year before that counts as 1/6. Part days of presence in the US should be treated as if they were whole days for this purpose.

This is known as the '**substantial presence test**'.

Example

If you spent 48 days in the US in 1996, 250 days in 1995 and 365 days in 1994, the calculation would be as follows:

Year of test - 1996 (more than 31 days spent in US)			
1996 48 days	x	1/1	= 48
1995 250 days	x	1/3	= 84
1994 365 days	x	1/6	= 61
			193

Both legs of the substantial presence test are passed and you will be regarded as resident in the US under that country's domestic law.

— Non-US citizens

If you are not a US citizen, you will be a US resident if you held a resident alien's permit ('green card') for the period of claim. A copy of the green card **and** a copy of your US Tax Return for the period covered by the claim should be attached to the completed claim form in this Help Sheet and sent with the claim.

If you did not possess a resident alien's permit, then you will need to obtain a statement from the US tax authorities that they regard you as US resident for US tax purposes for the period of claim.

— Residence tie-breaker provisions

If you are UK-resident and also, by virtue of the above tests, resident in the US, you will need to determine your residence status for the purposes of the UK/US DTA by applying the tie-breaker provisions described on page 2 of this Help Sheet.

Note, however, that the UK/US DTA differs from many Agreements in that if you have a 'permanent home' in **neither** the UK nor the US, the 'centre of vital interests' test must be considered before the test of 'habitual abode'.

— Completing the Claim and Declaration

First read this Help Sheet and consult the relevant Double Taxation Agreement. If you then conclude that you are a resident of the Agreement partner country for the purposes of the Agreement and are therefore entitled to exemption from UK tax in respect of an item or items of income or capital gains, you should complete the claim form attached to this Help Sheet. Remember to copy any figure of relief to box 6.9 of the Foreign Pages of your Tax Return.

Part 1 of the claim form enables you to demonstrate that you were resident both in the UK and in the Agreement country, under those countries' respective domestic laws, for the period of claim.

Complete either (a)(i) or (a)(ii), and (b).

Sub-paragraph (c) requires evidence of residence in the other country to be attached to the claim. Complete (c)(i) if the other country in which you were resident was **not** the USA, or (c)(ii) if it **was** the USA. Remember to attach the documentation indicated when sending in your claim.

Part 2 helps you to determine which of the two countries you are regarded as resident of for the purposes of the Double Taxation Agreement. Work through the sections (a) to (d) as indicated.

Refer to the Residence Article of the relevant DTA in order to see which of the tests appear and in which order. Interpretation of Residence articles is often not straightforward. If you are in any doubt, consult your tax adviser or ask your Tax Office for help.

If you consider that you fall to be treated as a resident of the Agreement partner country for the purposes of the DTA, and are therefore entitled to exemption or partial relief from UK tax in respect of items of income or gains, complete the Declaration in **Part 3** accordingly.

Complete the relevant section of (a) of **Part 3**, depending on whether you completed Part 1(c)(i) or 1(c)(ii) above.

Fill in (b) of Part 3 to claim **exemption** from UK tax where the DTA provides this for a person who is a resident of the other country for the purposes of the DTA.

Fill in (c) of Part 3 to claim **partial relief** from UK tax where the DTA provides that the rate of UK tax attributable to income received by a person who is a resident of the other country for the purposes of the DTA is lower than the normal domestic UK rate.

For example, the interest article of a DTA might reduce the rate of UK tax applicable to interest received by such a person to 15%, whereas the UK domestic rate on savings income is 20%. To claim relief for the difference between the Agreement rate and the UK domestic rate you should:

- include the full gross amount of the income in the relevant pages of your UK Tax Return
- complete (c) of Part 3 of the Claim attached to this Help Sheet, **and**
- add the total relief due to any figure of tax credit relief you enter in box 6.9 of the Foreign Pages of your Tax Return.

Finally, remember to sign and date the Claim form.

1. Establishing non-residence

1(a)(i) I was resident in the United Kingdom for the whole of the year 1996-97 and have ticked box 9.1 in the Non-residence etc. Pages **Yes** **No**

or

1(a)(ii) I was resident in the United Kingdom for part only of the year 1996-97 and have claimed split year treatment by ticking box 9.6 in the Non-residence etc. Pages **Yes** **No**

If 'Yes', fill in the box below

• Period of UK residence during 1996-97 / / to / /

and

1(b) I was also resident for tax purposes, during the period referred to in 1(a)(i) or 1(a)(ii) above, in another country with which the UK has a Double Taxation Agreement **Yes** **No**

If 'Yes', fill in the boxes below

• Name of other country

• Period of UK residence during 1996-97 / / to / /

1(c)(i) *(Resident in countries other than the United States of America)*

• I attach a certificate of residence in the overseas country covering the period of this claim *Tick box if attached*

1(c)(ii) *(United States residents only)*

Either

• I am a US citizen **Yes** **No**

and

• I was 'substantially present' (see pages 3 to 4) in the United States in the calendar year(s) which include the period in 1(a) above **Yes** **No**

If yes, attach a separate sheet showing the calculation of days spent in the US (see pages 3 and 4)

or, although not a US citizen

• I held a 'resident alien's permit' ('green card') covering the period in 1(a) above **Yes** **No**

If yes, attach a copy of the permit and of your completed US Tax Return(s) covering the period of claim. If no, attach a certificate of residence from the US Tax Authorities.

2. Determining residence for the purpose of the Double Taxation Agreement

If you were dual-resident in the UK and in a country other than those listed on page 3 of this Help Sheet, you should complete this section to determine your residence status for the purposes of the Double Taxation Agreement. **Remember that not all Double Taxation Agreements contain all the following tests and some which do apply them in a different order. You must therefore refer to the actual text of the particular Agreement in question before completing the Declaration and claiming relief or exemption from UK tax under the terms of that Agreement.**

- 2(a) • I had a 'permanent home' (see page 2) in the United Kingdom for the period of claim Yes No

If yes, give details of 'permanent home' below

Details of 'permanent home' including address, whether owned or rented etc.

or,

- I had a 'permanent home' in Yes No

If yes, give details of 'permanent home' below

Details of 'permanent home' including address, whether owned or rented etc.

*If you have ticked neither of the 'Yes' boxes above, or both of them, the permanent home test will not determine your residence status for the purposes of the Agreement. If you have ticked **both** 'Yes' boxes proceed to 2(b). If you have ticked **neither** 'Yes' boxes, ignore 2(b) and proceed to 2(c), unless you are claiming relief under the UK/US DTA, in which case complete 2(b) first and then, if appropriate 2(c).*

- 2(b) My personal and economic relations were closer
- to the UK Yes No
 - to Yes No

Details of links with both countries, such as family and social relations, occupations, place(s) of business, political, social or cultural activities etc.

(Continue on a separate sheet if necessary)

2(c) I had an 'habitual abode' in the UK **Yes** **No**

If yes, give details in the box below

Details of periods of time spent in the UK over the past four years

or,
I had an 'habitual abode' in *Enter name of country*

Details of periods of time spent in the other country over the past four years

2(d) I am a UK national **Yes** **No**

I am a national of *Enter name of country*

3. Declaration

Fill in 3(a) or 3(b) below, then go on to 3(c) and 3(d).

3(a) I declare that I was resident for tax purposes in the United Kingdom

and also in
for the period / / to / /

and attach a statement from the tax authorities of
confirming that they regard me as resident there for tax purposes for that period (see 1(c)(i) above).

3(b) I declare that I was resident for tax purposes in the United Kingdom and also in the United States for

the period / / to / /

and attach evidence on which residence in the United States is based (see 1 (c)(ii) above).

3(c) Having considered the provisions of the Double Taxation Agreement between

- the United Kingdom and

particularly with regard to residence, I claim to be a resident of for the purposes of that Agreement. Accordingly I am excluding the following items of income and capital gains from my UK Tax Return on the grounds that they are exempt from UK tax under the terms of the Double Taxation Agreement above.

Type of income/gains	Date income/gains arose	Amount of income/gains	Article of DTA under which exemption claimed
	/ /	£	
	/ /	£	
	/ /	£	
	/ /	£	
	/ /	£	
	/ /	£	

3(d) I also claim partial relief from UK tax in respect of the following items of income under the provisions of the Double

Taxation Agreement between the UK and indicated below.

Type of income	Date income arose	1 Gross amount of income	Article of DTA	2 Maximum rate of UK tax under DTA	3 Rate of UK tax charged in Tax Calculation	Partial relief claimed
	/ /	£				£
	/ /	£				£
	/ /	£				£
	/ /	£				£
	/ /	£				£
	/ /	£				£
	/ /	£				£
	/ /	£				£
	/ /	£				£

Total relief claimed

£

Copy this figure to box 6.9 of the Foreign Pages

Signed _____

Date _____

NON-RESIDENT ENTERTAINERS AND SPORTSMEN AND WOMEN

Read this Help Sheet before you refer to any other printed material to save time and reduce the risk of error.

CONTENTS

- Why this Help Sheet is important
- How it should be used
- What help is available
- Computational advice

WHY THIS HELP SHEET IS IMPORTANT

Some tax rules, and treaty provisions in Double Taxation Agreements, apply only to non resident entertainers and sports persons. The sorts of income you get and the expenses you incur may be different from other taxpayers. Also you may visit the UK infrequently and your UK income may have suffered withholding tax in full or in part. You may therefore require specific help in several areas. This Help Sheet will help you understand the special rules and give you some guidance about various sorts of income, the expenses you can deduct and how to complete the relevant parts of the Tax Return.

HOW IT SHOULD BE USED

We suggest you use it as a signpost to direct you to the relevant parts of the return in respect of your UK activity as an entertainer or sports person. You can return to this Help Sheet after each step in the process is completed for the next set of directions.

If you have some non-performance UK income, for example, interest, rents etc, some general advice will also be given towards the end of the Help Sheet.

WHAT HELP IS AVAILABLE

The special rules for non resident entertainers and sports persons are the responsibility of a specialist office - the Foreign Entertainers Unit (FEU), whose address, telephone and fax numbers are:

Foreign Entertainers Unit
 Special Compliance Office Birmingham
 2nd Floor
 Royal House
 Prince's Gate Buildings
 2-6 Homer Road
 Solihull
 West Midlands B91 3WG
 Telephone: 0121 606 2861/2/3 Fax: 0121 606 2865

The staff of the Unit have experience of all areas of entertainment and sport and they can be contacted by telephone or fax to discuss any questions you may have concerning your UK liability.

In addition Help Sheets or leaflets are available on specific topics which give more detailed information about particular tax rules and they are available from the Orderline. The relevant Help Sheets will be referred to in the computational advice section as each point is covered and they will be summarised at the end of the Help Sheet for reference.

COMPUTATIONAL ADVICE

This Help Sheet is only relevant if you are a non-resident entertainer or sports person. Your starting point should therefore be to check your UK tax residence status using Pages NR1 and NR2 of the Non-residence etc. Pages and the Notes provided with them.

If, having worked through the 'deciding your residence section', you find that you are regarded as resident in the UK for tax purposes, tick box 9.1 and ignore the remainder of this Help Sheet. Use the Tax Return Guide to help you complete your Tax Return.

If you find that you are regarded as non-resident in the UK for tax purposes and have ticked box 9.2, you may return to this Help Sheet after you have completed the remaining relevant boxes on Pages NR1 and NR2. However, bear in mind that the special rules applying to non-resident entertainers and sports persons generally make ordinary residence and domicile irrelevant as far as their performance income is concerned.

The information in tables 1 and 4 is modified by the UK's entertainers and sports persons rules which also provide for:

- withholding at source as a payment on account of final liability
- the creation of a separate notional UK trade for tax purposes in respect of activity in this country
- income paid to certain third parties, for example, a personal service company, to be treated as made to an entertainer or sports person personally.

When you have completed the Non-residence etc. Pages you are ready to complete other parts of your Tax Return.

To target the information to your particular needs and to minimise the amount of material you have to read, the rest of this Help Sheet has been split into three parts:

Part A ■ The Self-employed Individual

Part B ■ The employee

Part C ■ Partnerships and partners

Please decide which of these options best describes your status in relation to your activity as a non-resident entertainer or sports person and follow the guidance in the relevant part.

PART A - THE SELF EMPLOYED INDIVIDUAL

As a self-employed person you should complete Pages SE1 to SE3 using the Notes provided with the *following modifications*:

ACCOUNTING PERIOD

The basis of assessment is the profit from UK activity arising in the year ended 5 April. In practice, UK activity by non-resident entertainers and sports persons is usually limited to one or more short periods into the year and the receipts and expenses can be easily identified and summarised. The accounting period, should, however, generally be shown as starting on 6 April and ending on 5 April.

Questions 3.7 and 3.8 may be ignored. If your worldwide trade, profession or vocation commenced or ceased in 1996-97 complete box 3.9 or 3.10, otherwise they may be left blank.

TURNOVER

This should include amounts applicable to UK activity, for example, and where appropriate, performance income, appearance fees, bonuses for UK performance, exhibition income, box office percentage, broadcasting/media fees, tournament winnings, prize money, venue merchandising income, transfer of assets and sponsorship/endorsement monies. If any amounts are paid under a contract covering several countries or assets are transferred, you may contact FEU for advice on the amount to be included in turnover.

EXPENSES

UK specific expenses and a proportion of any expense common to several countries, including the UK, should be claimed. FEU can be contacted for advice on the amount which can be claimed when expenditure common to several countries has been incurred. *Help Sheet IR229: Information from your accounts* may also be requested from the Orderline to add to the general guidance on turnover, allowable expenses and taxable profit or loss given in the Notes on the Self-employment Pages. Any expenses met on your behalf and not reimbursed by you should be included in turnover and claimed separately as expenditure.

OVERSEAS TAX

Any tax which you pay in the UK on your performance related income should be claimed in your home state if it has a Double Taxation Agreement with the UK. Your home state tax is not deductible in arriving at your performance related profit for UK tax purposes.

CAPITAL ALLOWANCES

Help Sheet IR222: New businesses starting on or after 6 April 1994 available from the Orderline, explains how capital allowances and balancing charges are calculated. You may only claim capital allowances for assets used for the UK notional trade. If you have purchased assets for your worldwide trade but they are not used in connection with your UK activity, allowances should not be claimed.

If assets are used in your worldwide trade including UK activity, do a separate computation for each asset so used. The 25% writing down allowance must be restricted to take account of the use of the asset in non UK territories and private use. One way to do this would be to restrict the 25% writing down allowance using the fraction:

$$\frac{\text{Number of days asset used for UK activity}}{365}$$

The Help Sheet also gives guidance on the calculation of an allowance or charge when an asset on which allowances have been given is sold.

ADJUSTMENTS TO ARRIVE AT TAXABLE PROFIT OR LOSS

Your basis period will begin on 6 April 1996 (unless your worldwide trade, profession or vocation commenced after that date when the date of commencement should be used) and will end on 5 April 1997 (or the date your worldwide trade, profession or vocation ceased, if earlier). Do not tick the YES or NO box but complete boxes 3.75 (and 3.76 and 3.77 if appropriate). If no capital allowances or balancing charges are due, take the figure in box 3.75 to box 3.80 if it is a profit and to box 3.81 if it is a loss.

LOSSES

Help Sheet IR227: Losses provides information on how you may claim relief on losses and can be obtained from the Orderline. It will help you decide which of the boxes 3.82 to 3.85 to complete if box 3.81 shows a loss or there is a loss brought forward from a previous year.

PROFIT SUMMARY

To finalise Page SE3 in respect of your activity as an entertainer or sports person, complete boxes 3.87 and 3.89 if there was a net profit figure in box 3.80.

PAGE SE4 ENTRIES

Turning to the final Page, you may ignore boxes 3.90 to 3.92 as non-residents are excepted from Class 4 National Insurance Contributions.

Box 3.93 should be used to record the withholding tax paid on your income as an entertainer or sports person (the reference to SC60s should be taken as FEU2s). Unless you have prepared a balance sheet specifically for the UK notional trade, you may leave boxes 3.94 to 3.110 blank.

NEXT STEPS

When you have completed the Self-employment Pages of your Tax Return consider whether other supplementary Pages are required then go back to page 2 in the Tax Return.

I have sent you a Tax Return Guide to help you, and a Tax Calculation Guide if you want to calculate your tax.

If you identify any UK source income or capital gains not previously returned from your reading of the guides, you should refer back to the Notes on Non-residence etc to see if the relevant item is liable to UK tax. If it is, then ask the Orderline for the relevant supplementary Pages. You should fill in any supplementary Pages which are relevant before you go back to Page 2 in your Tax Return.

The Notes on Non-residence etc. will also help you decide whether allowances are due to you. They do not, however, explain which of the reliefs are not available to non-residents or are only available in certain circumstances. Guidance on this aspect can be obtained direct from the Foreign Entertainers Unit.

The remaining questions on your Tax Return should be completed as appropriate including boxes 18.1 to 18.9 if you wish to calculate your tax or excluding these boxes if you want me to calculate the tax.

If you calculate your own tax, include UK withholding tax in box W53.2. In calculating the payment due on 31 January 1998 you may wish to discuss the effect of withholding tax payments. The unit will be happy to advise you on this or any other query you have on the completion of the return.

The Help Sheets available to help self-employed non-resident entertainers and sportsmen and women referred to in this section are:

- IR222: New Businesses starting on or after 6 April 1994
- IR227: Losses
- IR229: Information from your accounts

PART B - EMPLOYEE

If you are employed by a company or individual(s) in connection with your activity as an entertainer or sports person, answer the following questions to determine how to proceed.

Was the money from your entertainment or sporting activity paid to:-

- a person, for example, a company, you control? Yes ^{Tick} No ^{Tick}
- a person resident in a country where the rate of tax on profits does not exceed 25%? Yes ^{Tick} No ^{Tick}
- a trust or other settlement partly or wholly set up by you? Yes ^{Tick} No ^{Tick}
- a person with whom you have a contract which will or may give you an amount approximating to the net profit from the activity? Yes ^{Tick} No ^{Tick}

If you answered NO to all of these questions and you regard yourself as an employee, you will need to complete the Employment Pages using the Notes on Employment and *Help Sheet IR211: Employment - residence and domicile issues* available from the Orderline, if you need it.

The aim of the Notes and Help Sheet is to isolate the money or benefits in respect of your UK activity. If you have a multi-territory employment contract, you may wish to contact the Unit for advice on how your money from the company and benefits should be apportioned into and out of UK liability. When Pages E1 and E2 are complete go to the Next Steps section on page 5.

If you have answered YES to any of these questions, the receipts and expenses linked to your activity in the UK are treated as made to/by you personally. The Employment Pages should not be used for your entertainment or sporting activity. Instead you should complete the Self-employment Pages SE1 to SE3 using the Notes on Self-employment with the following modifications.

ACCOUNTING PERIOD

For non-resident entertainers and sports persons this will be 6 April to the following 5 April. Boxes 3.6 to 3.9 will not be relevant. If your employment ceased in the year, complete box 3.10, otherwise it can be left blank.

TURNOVER

This should include payments for UK activity no matter who has received it, for example, and where appropriate, performance income, appearance fees, bonuses for UK performance, exhibition income, box office percentage, broadcasting/media fees,

tournament winnings, prize money, venue merchandising income, transfer of assets and sponsorship/endorsement monies. If any amounts are paid under a contract covering several countries or assets were transferred, you may contact FEU for advice on the amount to be included in turnover.

EXPENSES

Ascertain the expenses which have arisen as a result of your activity. They may be expenses which have arisen wholly in the UK, for example, hotel expenses or a proportion of any expense common to several countries.

FEU can be contacted for advice on the amount which can be claimed when expenditure common to several countries has been incurred. The Notes on the Self-employment Pages provide general guidance on turnover, allowable expenses and taxable profit or loss.

If a promoter or independent third party has met expenses on your employer's behalf without reimbursement, for example, travel, the amount should be included in turnover and claimed separately as expenditure.

OVERSEAS TAX

Any tax paid in the UK on your performance related income should be claimed in your home state if it has a Double Taxation Agreement with the UK. Your home state tax is not deductible in arriving at your performance related profit for UK tax purposes.

CAPITAL ALLOWANCES

Help Sheet IR222: New business starting on or after 6 April 1994 available from the Orderline shows how these allowances are calculated. Capital allowances can only be claimed in your calculations if assets are used for the UK activity. If the assets acquired by yourself or your employer are used for worldwide entertainment or sporting activity but they are not used in the UK, allowances should not be claimed. If assets are used in several territories including the UK, a separate computation is required for each asset. The 25% writing down allowance must be restricted to take account of use of the asset in non UK territories and private use. One way to do this would be to restrict the 25% writing down allowance using the fraction:

$$\frac{\text{Number of days asset used for UK activity}}{365}$$

The Help Sheet also gives guidance on the calculation of an allowance or charge when an asset on which allowances have been given is sold.

IR303 (NET)

ADJUSTMENTS TO ARRIVE AT TAXABLE PROFIT OR LOSS

The income tax basis period will begin on 6.4.96 and end on 5.4.97. Do not tick the YES or NO box but complete boxes 3.75 (and 3.76 and 3.77 if appropriate). If capital allowances or balancing charges are not due, take the figure in box 3.75 to box 3.80 if it is a profit and to box 3.81 if it is a loss.

LOSSES

Help Sheet IR227: Losses, available from the Orderline, tells you how you may claim tax relief on losses. It will help you decide which of the boxes 3.82 to 3.85 to complete if box 3.81 shows a loss or there is a loss brought forward from a previous year.

PROFIT SUMMARY

To finalise Page SE3 in respect of your activity as an entertainer or sports person, complete boxes 3.87 and 3.89 if there was a net profit figure in box 3.80.

PAGE SE4 ENTRIES

Turning to the final Page, you may ignore boxes 3.90 to 3.92 as non-residents are excepted from Class 4 National Insurance Contributions.

Box 3.93 should be used to record the withholding tax paid on your activity as an entertainer or sports person (the reference to SC60s should be taken as FEU2s). As you do not have a balance sheet for the UK activity, you may leave boxes 3.94 to 3.110 blank.

Before you move on please enter the following particulars in the Additional information box in the Self-employment Pages:

- the name and tax reference of the company who employs you if it is registered or managed and controlled in the UK
- the amount of any money paid or to be paid to you by the company in respect of your UK activity.

This information will enable FEU to make any other adjustments required under the special entertainers and sports persons rules.

NEXT STEPS

When you have completed the relevant Pages of your Tax Return for your entertainment or sporting activity, consider whether other supplementary Pages are required.

I have sent you the Tax Return Guide to help you, and a Tax Calculation Guide if you want to calculate your tax.

If you identify any other UK source income or capital gains, you should refer back to the Notes on Non-residence etc. to see if the relevant item is liable to UK tax. If it is, then request the

relevant supplementary Pages from the Orderline. You should fill in any supplementary Pages before you go back to page 2 of your Tax Return.

If no further supplementary Pages are required you will only have to complete either Q9 and Q1 (if Pages E1 and E2 were completed) or Q9 and Q3 modified to read 'were you treated as self-employed' (if you were directed to complete Pages SE1 etc.) leaving Q1 blank before proceeding to the reliefs/allowances sections.

The Notes on Non-residence etc. will also help you decide whether allowances are due to you. They do not however, explain which of the reliefs are not available to non-residents or are only available in certain circumstances. Guidance on this aspect can be obtained direct from the Foreign Entertainers Unit.

The remaining questions on the Tax Return should be completed as appropriate (including boxes 18.1 to 18.9 if you wish to calculate your tax or excluding these boxes if you want me to calculate the tax).

If you calculate your own tax, include UK withholding tax in box W53.2.

The Help Sheets available to help employed non-resident entertainers and sportsmen and women referred to in this section are:

- IR211: Employment residence and domicile issues
- IR222: New Businesses starting on or after 6 April 1994
- IR227: Losses
- IR229: Information from your accounts

PART C - PARTNERSHIPS AND PARTNERS

A partner, who is not resident in the UK, is taxable on their share of the profits arising to the partnership from the activity which the partnership carried on in the UK. *Help Sheet IR380: Partnerships: Foreign Aspects*, available from the Orderline, gives advice on who should make a Partnership Tax Return and what it should include. The advice contained in this section assumes your partnership consists solely of individuals who are all entertainers or sports persons. If the partners include a company, a trustee or any person who is not an entertainer or sports person, please contact FEU for advice before proceeding further as special rules exist which may require their share of receipts and expenses to be treated as made to some or all of the remaining partners.

PARTNERSHIP TAX RETURN

The partnership return of profit from UK activity should be completed by the partner nominated to complete the Tax Return using the Partnership Tax Return form and guide *with the following modifications*.

Foreign income and chargeable assets

The reference here is to items chargeable to UK tax. The Notes on Non-residence etc. page NRN5, and the tables on pages NRN10 to NRN13 will indicate the situations when a 'yes' answer will be appropriate.

Accounting period

You may ignore the references to the return period, old/new partnerships and accounting periods in the Guide as the basis of assessment is the profit from UK activity arising in the year ended 5 April. In practice, UK activity by non-resident entertainers is usually limited to one or more short periods within the year and the receipts and expenses can be easily identified and summarised. The accounting period should, however, generally be shown as starting on 6 April and ending on 5 April.

Questions 3.6 and 3.7 can be ignored. Questions 3.4 and 3.5 should only be completed if the partnership commencement or ceased in the year.

Turnover

This should include amounts applicable to UK activity, for example, and where appropriate, performance income, appearance fees, bonuses for UK performance, exhibition income, box office percentage, broadcasting/media fees, tournament winnings, prize money, venue merchandising income, transfer of assets and sponsorship/endorsement monies. If any amounts are paid under a contract covering several countries or assets are transferred, you may contact FEU for advice on the amount to be included in turnover.

Expenses

UK specific expenses and a proportion of any expense common to

several countries, including the UK, should be claimed. FEU can be contacted for advice on the amount which can be claimed when expenditure common to several countries has been incurred. The Partnership Tax Return Guide provides general guidance on turnover, allowable expenses and taxable profit or loss. Any expenses met on behalf of the partnership and not reimbursed by it should be included in turnover and claimed separately as expenditure.

Overseas tax

Any tax which the partnership pays in the UK on its performance related income should be claimed in the partners' home state if it has a Double Taxation Agreement with the UK. Home state tax is not deductible in arriving at the partnership's performance related profit for UK tax purposes.

Capital Allowances

Help Sheet IR222: New Business starting on or after 6 April 1994 is available to explain how these allowances are calculated and it can be obtained from the Orderline. The partnership may only claim capital allowances for assets used for the UK notional trade. If it has purchased assets for its worldwide trade but they are not used in connection with its UK activity, allowances should not be claimed. If assets are used in the partnership's worldwide trade including UK activity, do a separate computation for each asset so used. The 25% writing down allowance must be restricted to take account of use of the assets in non UK territories and private use. One way to do this would be to restrict the 25% writing down allowance using the fraction:

$$\frac{\text{Number of days asset used in UK activity}}{365}$$

The Help Sheet also gives guidance on the calculation of an allowance or charge when an asset on which allowances have been given is sold.

Adjustments to arrive at taxable profit or loss

The partnership basis period will begin on 6 April 1996 (unless the partnership commenced after that date, when the date of commencement should be used) and will end on 5 April 1997 (or the date on which the partnership ceased if earlier). Do not tick the YES or NO box. Complete box 3.75 (and boxes 3.76 and 3.77 if appropriate). If box 3.75 and the adjustments in boxes 3.76 and 3.77 result in a profit, enter the amount of the profit in box 3.80 and '0' in box 3.81. If box 3.75 and the adjustments in boxes 3.76 and 3.77 result in a loss enter '0' in box 3.80 and the amount of the loss in box 3.81. You may ignore boxes 3.82A and 3.82B. Use box 3.93 to record any UK withholding tax paid on the partnership income from entertainment or sporting activity (the reference to SC60s should be taken as FEU2s).

NON-RESIDENTS – RELIEF UNDER DOUBLE TAXATION AGREEMENTS

This Help Sheet explains how non-residents can obtain relief from UK tax under Double Taxation Agreements entered into by the UK.

It includes a claim form which must be completed, if you wish to claim such relief from UK tax. Copy the total amount of relief claimed to box 6.9 of the Foreign Pages of your Tax Return.

WHO NEEDS THIS HELP SHEET?

If:

- you have ticked box 9.2 in the Non-residence etc Pages, **and**
- are resident for tax purposes in a country with which the UK has a Double Taxation Agreement ('DTA').

you should read, and, if appropriate, complete this Help Sheet **before** filling in your Tax Return.

A list of the UK's DTAs currently in force is included on pages FN18 to FN22 of the Notes to the Foreign Pages. The list shows the maximum rates of tax which the UK can charge a UK resident who receives payments of dividends, interest, royalties and management/technical fees. But non-residents can also use the table for the maximum rates of tax chargeable under a DTA between the UK and the particular country on payment of dividends, interest, royalties and management/technical fees. It does not, however, reflect the treatment of other sources of income dealt with under the DTAs.

WHAT IS THE PURPOSE OF THE HELP SHEET?

The Help Sheet enables a non-UK resident to obtain exemption or partial relief from UK tax, where appropriate, on UK income where the relevant DTA reduces the rate at which tax is to be charged below that provided by UK domestic tax law.

For example, the UK might, under its domestic law, levy a withholding tax of 20% on interest paid to a non-resident. If the DTA provides that, where the recipient of that interest is a resident of the other country, the rate of UK tax should be limited to 15%, the non-resident recipient is entitled to relief of 5%.

HOW DO DOUBLE TAXATION AGREEMENTS WORK?

A DTA is an arrangement entered into by the Governments of two countries. It consists of a series of detailed provisions designed to

eliminate or relieve the taxation of the same income or gains in more than one country. This is achieved by the UK in its DTAs in a variety of ways.

— Exemption

Income or gains may be exempted from tax in the country where the income or gains arise. In other words, the source state gives up all its taxing rights in favour of the country of which the recipient is a resident.

— Partial Relief

The country in which the income arises charges the income derived by a resident of the other country at a rate lower than its normal domestic rate. In these circumstances the source state gives up only part of its taxing rights.

— Credit

Where the income or gains remains taxable in both countries, so that the source state retains its taxing rights, the country in which the recipient is resident gives credit for the source country's tax against its own tax.

All these basic methods feature in DTAs between the UK and other countries. But many provisions in DTAs require certain conditions to be fulfilled before relief can be given. **Because all DTAs are different it is essential to consult the relevant Articles of the particular DTA with which you are concerned.** FICO (International) Bootle or, if you have one, your tax adviser will be able to help you identify relevant provisions in the appropriate DTA.

The Financial Intermediaries and Claims Office (International), Fitz Roy House, PO Box 46, Nottingham NG2 1BD has stocks of leaflets explaining the requirements for making claims under the UK's DTAs with certain countries. Enquiries about such leaflets can be made direct to FICO by telephoning 0115 974 2000.

CERTIFICATE OF OVERSEAS RESIDENCE

If you:

- were resident for tax purposes in a country other than the UK, **and**
- wish to claim exemption or relief from UK tax, under the terms of a DTA between the UK and that other country, as a resident of that country,

then you need to obtain a certificate from the overseas tax authority confirming that it regards you as resident there under its domestic law for the period in question which must be stated on the certificate.

Where necessary the certificate must also show that you are subject to tax in your country of residence either on the whole or

on part of the income in respect of which relief is claimed (see 'Other Conditions for Relief' below). Where only part of the income is taxed in your country of residence then that amount of income must be shown on the certificate.

The certificate should be attached to your completed claim on pages 3 and 4 of this Help Sheet and sent with your completed Tax Return.

OTHER CONDITIONS FOR RELIEF

Some Articles in DTAs require other conditions to be fulfilled before exemption or relief from UK tax is granted. For example, relief is sometimes only available if the recipient is the 'beneficial owner' of the income or is 'subject to tax' in the other country in respect of the income in question, whether in respect of the whole of that income or just in respect of income received in the country of residence. Also, employment income in respect of duties carried out in the UK is sometimes exempted from UK tax depending on the fulfilment of certain conditions. You therefore need to check the precise terms of the particular treaty with which you are concerned, **and obtain sufficient evidence to demonstrate that the necessary conditions are met**, before making a claim for relief or exemption from UK tax. You are required to submit such supporting evidence when making your claim.

If any part of your claim relates to trust income, it is necessary to detail the nature (e.g. dividend, interest etc.) and the amounts of each underlying source of the trust income concerned. The name of the trust and the UK Tax Office and reference number for the trust should be shown in the space for "Additional Information" on the claim form.

HOW TO CLAIM RELIEF USING THIS HELP SHEET

Step 1 Complete the claim form at the end of this Help Sheet, entering in the income section particulars of all items of income in respect of which you are claiming exemption or relief from UK tax under a DTA, but excluding any item of income in respect of which an in-year claim has already been made to FICO (International), Nottingham. If there is insufficient space on the claim form use a separate sheet to itemise the income and carry the total relief due to the box at the foot of column F.

Add up the amounts in column F. This is the figure of 'treaty relief' due. Copy this figure to box 6.9 of the Foreign Pages.

Step 2 Now fill in the relevant pages of your Tax Return, showing all items of UK income other than those which you have entered on the claim form referred to under Step 1 above.

Step 3 Send me your Tax Return including:

- any additional Pages (including the Foreign Pages showing the amount of treaty relief claimed in box 6.9), **and**
- the completed claim form at the back of this Help Sheet, **and**
- the certificate of residence from the overseas tax authority, **and**
- any other supporting documentation required.

If you want to calculate your own tax, you should also use whichever Tax Calculation Guide is appropriate to your circumstances. The figure of treaty relief arrived at under Step 1 should be entered in the 'Tax Credit Relief' box (W45, G62, L67 or F67 of the appropriate Working Sheet).

Claim by a non-UK resident for exemption or relief from UK tax under the terms of a Double Taxation Agreement

1(a) I was not resident in the UK for the whole of 1996/97 and have ticked box 9.2 in the Non-residence etc Pages

1(b) I have claimed split year treatment by ticking box 9.6 in the Non-residence etc Pages

Period treated as not resident in the UK during 1996/97 / / to / /

2. I was resident for tax purposes, during the period referred to in 1(a) or 1(b) in a country with which the UK has a Double Taxation Agreement

Name of country of residence

Period resident there during 1996/97 / / to / /

Certificate of residence attached (tick)

3. Having considered the relevant provisions of the Double Taxation Agreement between the United Kingdom and , I am excluding the following items of income from my UK Tax Return on the grounds that, because I am a resident of the items of income are either exempt from UK tax under the terms of the DTA or the maximum UK tax chargeable as set out in the DTA is less than the normal UK domestic rate. I attach all the necessary vouchers (originals not photocopies) certifying the amount of UK tax or tax credit shown in column B (tick this box if you, or anyone else named on the vouchers, want them returned).

Nature of income	Net Income	Tax	Gross Income	Maximum Rate of UK tax under DTA	Amount of UK tax chargeable	Relief Claimed
	Dividend	Tax Credit				
	A	B	(A+B)=C	D	D% X C=E	(B-E)=F
	£	£	£	%	£	£
Total relief claimed under DTA (copy to box 6.9 of the Foreign Pages)						

Note that tax on stock dividends and foreign income dividends is not relievable under Double Taxation Agreements because it is notional tax which cannot be repaid.

IR304 (NET)

4(a). Is your other UK source income (i.e. excluding the income shown in the above table, and any income in respect of which an in-year claim has been separately made to FICO (International), Nottingham), less than personal allowances claimed by you?

Yes

No

If you have ticked 'yes', FICO (Non-Residents) will consider whether any additional repayment is due.

4(b). Have you submitted any other claim to FICO (Non-Residents) for the year ended 5 April 1997?

Yes

No

Additional Information (see page 2)

Declaration

- 1. I am beneficially entitled to the income shown in the table above.
- 2. To the best of my knowledge and belief all the particulars given on this form are correct.
- 3. I claim relief from UK tax as shown in the table above.

Signature

Date