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SA106(Notes)

HELP SHEETS

Help Sheets giving more detailed information about particular tax rules for these Pages are available from the Orderline.

- *IR250: Capital allowances and balancing charges in a rental business*
- *IR260: Overlap*
- *IR261: Tax credit relief: capital gains*
- *IR301: Calculation of the increase in tax charge on capital gains from non-resident, dual resident and immigrating trusts*
- *IR302: Dual residents*
- *IR304: Non-residents - relief under Double Taxation Agreements*
- *IR310: War widow's and dependant's pensions*

Filling in your Foreign Pages

Gather together the material you need, such as:

- overseas dividend vouchers
- bank statements for overseas accounts
- overseas pension advice notes
- foreign tax assessments
- receipts for foreign tax paid.

The notes, in Part 1 starting on the next page, tell you how to complete the Foreign Pages. Fill in Pages F1 to F5 of the Foreign Pages to give details of your foreign income and gains:

- Page F1 is for foreign savings (including income from offshore funds), which are taxable at the savings (20%) rate or the dividend (10%) rate of tax (the notes start on page FN4).
- Page F2 is for overseas:
  - pensions
  - social security benefits
  - income from land and property
  - income received by overseas trusts, companies and other entities
  - disposals of offshore funds
  - benefit received (directly or indirectly) from overseas trusts, companies and other entities.

  Also use it for your foreign savings if you are taxable on the remittance basis (see the note on page FN2).
- Complete Page F3 to claim tax credit relief for foreign tax on:
  - income included in the Employment, Self-employment, or Partnership Pages, or boxes 13.1 to 13.3 on page 4 of your Tax Return (see the notes on page FN13)
  - chargeable gains included in your Capital Gains Pages (see the notes on page FN14).
- Complete Pages F4 and F5 as appropriate for foreign let property. Summarise the income on Page F2 (the notes start on page FN6).

Pages F1 to F5 give the information I need to calculate relief for any foreign tax paid on taxable income or gains that are also chargeable to UK tax. You may be able to set all or part of the foreign tax against your UK tax bill. This is known as tax credit relief.

If you want to calculate the tax credit relief yourself, or you are calculating your tax bill, also complete the Working Sheet in Part 2 of these Notes.

continued over

Part 1- reporting your foreign income and claiming tax credit relief

Arising basis

Unless the remittance basis (see below) applies, your income is taxed as it arises, whether or not it is actually brought to the UK. You must enter the full amount of income arising from overseas sources on your Foreign Pages. For overseas rental income, this means your gross income *minus* allowable expenses. For all other income, it is just gross income before tax.

Remittance basis

The remittance basis only applies to you if you are claiming to be resident in the UK, but are either:

- not domiciled in the UK, **or**
- a citizen of the Commonwealth or of the Republic of Ireland **and** are not ordinarily resident in the UK.

Ask the Orderline for the Non-residence Pages if you think this applies to you. If you are liable to tax on the remittance basis, enter only the amounts of income received in the UK (include any savings income on Page F2, not Page F1). Apportion any foreign tax paid as appropriate (see Example 1 below).

Example 1
Rachel received a pension of £1,000 on which she paid foreign tax of £150, but only brought half of the net amount (£850) to the UK in the year ended 5 April 2000. The calculation is:

Pension received in UK			£425
Add foreign tax	$\frac{£425 \times £150}{£850}$	=	<u>£75</u>
			<u>£500</u>

Enter on the Foreign Pages:

Amount before tax	(Column B)	£500
Foreign tax	(Column D)	£ 75

The remittance basis does not apply to:

- gains under a policy of life insurance, life annuity or capital redemption policy. These gains are always taxable on the arising basis
- Republic of Ireland income from pensions, securities, stocks, shares and rent. The taxable amount of this income is the full amount arising and is not limited to amounts remitted, even if you are not domiciled or not ordinarily resident in the UK.

Joint savings and investments

If you have savings or investments held in joint names, you should enter only your share of the income.

If you are married, income from savings or investments held jointly with your husband or wife is usually split equally. If you actually own the savings or investments and the income from them in unequal shares, you can elect to have the income treated for tax purposes on that basis. The election cannot be back-dated.

Please ask your Inland Revenue office or tax adviser if you would like further information or an election form.

It is not possible to elect to share any 'gain' on a policy of life insurance, life annuity or on a capital redemption policy. Any gain is allocated to the person who actually owns the rights (or owned them immediately prior to the chargeable event) under the insurance policy or contract, or created the trusts under which the rights are held.

Unremittable income

If you have income arising outside the UK that you were unable to transfer (or remit) to the UK, because of exchange controls or a shortage of foreign currency in the overseas country, then you can claim that the unremittable income should not be taxable in 1999-2000.

If you think this applies to you, see page FN4 for guidance on how to give details of the unremittable income on your Foreign Pages.

This does not apply in respect of income/benefit arising as a result of a transfer of assets of the type described on pages FN10 and FN11.

Income becoming remittable

Where income was not taxed in an earlier year because it was unremittable, but it can now be remitted to the UK, it is treated as arising in 1999-2000. Income may become remittable if, for example, exchange controls are lifted. Include any income to which this applies whether or not it is actually remitted to the UK. The amount of the income and any foreign tax charged on it should be translated to sterling using the exchange rate prevailing at the time when the income becomes remittable.

Foreign income: change to sterling

Income taxable on the arising basis should be translated to sterling at the rate of exchange prevailing at the time when the income arose.

Income taxable on the remittance basis should be translated to sterling at the rate of exchange prevailing on the date of receipt in the UK.
Gains on foreign life insurance policies, life annuities or capital redemption policies should be calculated in the currency in which the policy or contract is denominated and the gain translated to sterling at the rate of exchange applicable at the time of the chargeable event.

If you are unsure of the exchange rate to be applied ask your Inland Revenue office or tax adviser.

Foreign tax paid and tax credit relief

Tax credit relief is normally the most beneficial way to obtain relief from double taxation, but if you do not wish to claim it, you may instead deduct the foreign tax when calculating the amount of income and gains chargeable to UK tax.

Example 2
John received income of £1,000 on which foreign tax of £150 was withheld at source. If the income is chargeable to UK tax at 23% and he claims tax credit relief, his net liability will be: (£230 *minus* £150) = £80.

If he does not claim tax credit relief, his liability will be: (£1,000 *minus* £150) = £850 x 23% = £195.

Tax credit relief is not always available for the full amount of foreign tax you have paid. Relief is subject to the following rules:

- relief is only due if you are a UK resident (special rules apply in certain circumstances if you are a resident of the Isle of Man or the Channel Islands - ask your Inland Revenue office or tax adviser for help)
- the income must arise in the foreign country and be properly chargeable under the foreign country's law
- where a Double Taxation Agreement (see page FN3) exists between the UK and the other country, the amount of foreign tax eligible for relief is restricted to the minimum foreign tax payable under the terms of the Agreement. If you want to calculate your tax, consult the list of the UK's Double Taxation Agreements on pages FN21 to FN25. It shows the treaty rates of withholding tax which apply to dividends, interest, royalties and technical fees derived by a UK resident.

Withholding tax is tax deducted by the payer when the income is paid to you. If you have paid foreign tax at a higher rate than that shown for the particular type of income, tax credit relief is not available for the tax in excess of the agreement rate; you should therefore approach the overseas tax authority for a refund of the tax paid in excess of the agreement rate. Rates of withholding tax start on page FN21.

- where no Double Taxation Agreement exists between the UK and the other country, or the Agreement does not cover the particular foreign tax, relief is only available if the tax corresponds to UK Income Tax or Capital Gains Tax. If you are in any doubt about this, ask your Inland Revenue office or tax adviser
- the amount of tax credit relief **must not** exceed the UK tax chargeable on the same item of income or gains on which the foreign tax was calculated
- you cannot claim tax credit relief for any foreign tax paid on a particular item of income or gains if you have claimed all or part of that foreign tax as a deduction in arriving at the amount of income or gains for UK tax.

Tax deducted from dividends received from the countries listed below is not eligible for tax credit relief, either because the relief is specifically prohibited by the Double Taxation Agreement, or because the tax is not a direct tax on the dividend itself because it is effectively a payment on account of tax chargeable on the profits and gains of the company paying the dividend.

The countries are Antigua; Australia (franked dividends only); Belize; Cyprus; The Gambia; Guernsey; Isle of Man; Jersey; Kiribati; Malaysia; Malta; Singapore.

Although the tax is not available for credit relief, it may be deducted in calculating the amount of the dividend which is chargeable to UK tax (see Example 2 on page FN2).

Double Taxation Agreements

A Double Taxation Agreement is an arrangement between two countries. It consists of a series of detailed provisions designed to eliminate or relieve the taxation of income or gains in more than one country. It may provide, for example, that a UK resident is exempt from tax, or is liable to a reduced rate of withholding tax, in the foreign country.

Filling in Pages F1 and F2

Give details of overseas:

- interest and other income from savings
- dividends
- pensions
- social security benefits
- income from land and property
- income received by overseas trusts, companies and other entities
- benefit received (directly or indirectly) from overseas trusts, companies and other entities.

(You should enter information on Page F3 about any income or gains included elsewhere in your Tax Return and which have suffered foreign tax for which you want to claim credit relief.)

Important Each item of income or gains in any particular category (for example, more than one foreign pension, or dividends from more than one overseas company) must be entered separately. **But see page FN4 for how to deal with unremittable income.**

For each item the illustration below shows you how to make entries:

- **in column A**, enter the name of the country in which the item of income arose. In the section dealing with interest and other savings show the nature of the income receipt in brackets as [I] or [O] respectively
- **in column B**, enter the amount of income before deducting any UK or foreign tax but after deducting unremittable income
- **in column C**, enter the amount of UK Income Tax, if any, deducted from the income
- **in column D**, enter the amount of foreign tax paid on the income entered in column B. (If the rate of foreign tax you have paid is more than the rate to which, as a UK resident, you were liable under the terms of a Double Taxation Agreement, enter the amount of foreign tax at the Agreement rate and approach the overseas tax authority for a refund of the excess. The Table beginning on page FN21 sets out maximum rates that apply to some types of income.)
- **in column E**, enter the amount of income on which you are chargeable. The following notes explain how to work this out.
- tick the box in column E if you want to claim tax credit relief for the item.

Fill in columns A to E, and tick the box in column E if you want to claim tax credit relief.

	Country A	tick box if income is unremittable	Amount before tax B	UK tax C	Foreign tax D	Amount chargeable E	tick box to claim tax credit relief
Interest, and other savings income -see Notes, page FN4	USA [O]		£ 120	£ 0	£ 18	£ 120	✓
	Germany [O]		£ 60	£ 3	£ 9	£ 60	✓
	Germany [O]		£ 500	£ 25	£ 75	£ 500	✓
	Belgium [I]		£ 120	£ 6	£ 18	£ 120	✓

Entering unremittable income

For each item of income not remittable to the UK in the tax year 1999-2000:

- **in column A**, enter the country in which the item of income arose
- tick the box in column A
- **in column B**, enter the amount of the unremittable income, in its foreign currency (delete the £ sign)
- **in column D**, enter in its foreign currency the amount of the foreign tax, if any, paid on the unremittable income, (delete the £ sign)
- leave other columns blank.

Foreign savings

Remember, if you are taxable on the remittance basis, enter your foreign savings on Page F2, not Page F1.

Interest and other income from overseas savings

Filling in the columns

column A Enter the name of the country where your income arose and in which tax was withheld when the interest was paid to you, and add [I] or [O] as appropriate, to indicate whether the income was interest or other income (see the example on page FN3).

columns B to D Remember to treat each source of interest (including, for example, different accounts with the same bank) separately and enter details of each on a separate line.

Interest from overseas unit trusts and other investment funds

The information you need to put in these columns will be shown on your unit trust or fund voucher. If you do not have a tax voucher, ask your unit trust or fund administrator for one. Where the interest distribution is automatically reinvested in the unit trust or fund, you must still enter the interest distribution and tax deducted.

Interest from other overseas sources

In these columns enter the amounts of interest you received from foreign bank accounts, or from foreign company loan stocks, or from loans to individuals or other organisations outside the UK. If the payer of the interest has deducted foreign withholding tax and accounted for that tax to the overseas tax authority on your behalf, this will normally be shown on a certificate of tax paid.

Other income from overseas savings

Enter in these columns any other income you received from overseas savings and investments. Do not enter:

- gains on life assurance policies, life annuities and capital redemption policies (see page FN12)
- overseas pensions (see page FN5)
- income from land and property abroad (see page FN6).

column E Enter in column E the amount in column B *minus*, if you are not claiming tax credit relief, any foreign tax included in column D.

If you are claiming tax credit relief, copy the figure in column B to column E, without deducting any part of the amount in column D, and tick the box in column E.

boxes 6.1 and 6.2 Add up the figures in column C and put the total in box 6.1.

Add up the figures in column E and put the total in box 6.2.

Dividends and distributions from overseas sources

Exclude:

- distributions made in the course of the liquidation of a foreign company
- distributions that constitute a return of your capital interest in a foreign company
- distributions made by a foreign company in the form of its own stocks and shares
- stock dividends from foreign companies
- bonus shares from a scrip issue made by a foreign company.

Where, however, a distribution was not made in the form of shares and you accepted cash from the foreign company under an option given to you to receive cash instead of shares, the cash is taxable and should be entered on Page F1.

If you are not sure whether the distributions you have received fall into any of the above categories, ask your Inland Revenue office or tax adviser for help.

Filling in the columns

column A Enter the name of the country where your income arose and in which tax has been withheld at source when the dividend was paid to you.

columns B to D Remember that each share or unit holding in a different company constitutes a separate source for tax purposes. Enter the income from each holding on a separate line.

Dividends received through a UK paying or collecting agent

Enter the amounts of the gross dividend received and the UK tax and foreign tax paid in the year ended 5 April 2000 as shown on the agent's voucher.

Dividends from overseas unit trusts and other investment funds

The information you need to complete these columns will be shown on your unit trust or fund voucher. Where the dividend distribution is automatically reinvested in the unit trust or fund, you must still enter the dividend distribution and tax deducted. If you do not have a tax voucher ask your fund administrator for one.

Dividends from other overseas sources

The information you need to complete these columns will be shown **either**:

- on your dividend voucher, **or**
- if the dividends are paid through a paying agent in the UK or collected and paid to you by a banker in the UK, on the certificate of deduction of tax provided by the agent or banker.

If you are a UK resident receiving dividends from Finland, France, Italy or the Republic of Ireland, you may be eligible, under the terms of the Double Taxation Agreements with those countries, to receive payment of the other country's tax credit ('avoir fiscal' in the case of France) in addition to any dividend to which you are entitled. For further information or claim forms, contact:

Financial Intermediaries and Claims Office (International)
Fitz Roy House
PO Box 46
Nottingham NG2 1BD

Telephone 0115 974 2001.

The Double Taxation Agreements with the countries mentioned provide for the other country to withhold tax from the aggregate of the dividend and the tax credit. You should therefore enter the gross amount of the dividend plus the tax credit in column B and the amount withheld in column D.

Example 3

Dividend from Italy	£10,000
Italian tax credit	£ 5,625
	£15,625
Italian withholding tax at 15%	£ 2,344
Net received	£13,281

Enter £15,625 in column B and £2,344 in column D.

- Other distributions from overseas sources

If you have received a distribution from a foreign company other than in the form of a cash dividend, for example if the company has released some of its assets (such as shares it holds in another company) to its shareholders, enter the sterling value of such assets at the date of distribution, unless the assets are released on liquidation or represent a return of capital. If you are in doubt ask your Inland Revenue office or tax adviser for help.

column E Enter in column E the amount in column B *minus*, if you are not claiming tax credit relief, any foreign tax included in column D.

If you are claiming tax credit relief, copy the figure in column B to column E without deducting any part of the amount in column D and tick the box in column E.

boxes 6.1A and 6.2A Add up the figures in column C and put the total in box 6.1A.
Add up the figures in column E and put the total in box 6.2A.

Overseas pensions and benefits

Overseas pensions

You should complete the columns if at any time during the 1999-2000 tax year you received a pension or an annuity from overseas (that is, outside the UK).

You should also include pensions or annuities where the payer of the pension or annuity is in the UK but pays it on behalf of someone else who is outside the UK.

If you expect to start receiving pensions or annuities before 6 April 2001, enter the details in the 'Additional information' box on Page F3 of the Foreign Pages, and tick box 22.1 on page 8 of your Tax Return. This will help us to get your tax code right for next year.

Any other pensions should not be entered in these Pages. Instead enter them in Question 11 on page 4 of your Tax Return.

column A Enter the name of the country where your income arose.

columns B to D Remember that if you received more than one foreign pension, you should enter details of each on a separate line.

- Arrears of foreign pensions

If your foreign pension is taxed on the arising basis (see page FN2) and the amount you received in 1999-2000 included arrears which relate to an earlier year of assessment (to 1998-99 and earlier), you may be able to spread the arrears of pension back to the year to which they relate under the terms of Extra Statutory Concession A55. If you think this might be to your advantage, ask your Inland Revenue office or tax adviser.

For each separate pension or annuity, fill in the columns across the Page. Enter in column B the amount of pension or annuity **arising before tax** unless you are liable to tax on the remittance basis. In that case, you should enter the amount of the pension or annuity which you actually received in the UK or brought to the UK, plus any foreign tax paid (see Example 1 on page FN2).

If your overseas pension is paid through an agent in the UK who has deducted UK Income Tax from it, enter the amount of that tax in column C.

If your pension or annuity has been taxed in the foreign country, enter the appropriate amount of that tax in column D (see above).

The full amount of foreign tax paid should be entered unless you are liable to tax on the remittance basis (see page FN2) and did not bring all of your pension into the UK in the year. In that case, you should enter the amount of foreign tax which relates to the proportion of pension received in the UK.

- Exemption

Some foreign pensions are wholly or partly exempted from UK tax. If you consider that your pension falls within one of the following categories, deduct the exemption in arriving at the figure for column E:

- if you are a former employee who has been awarded a foreign pension on retirement because you were disabled by injury on duty or by a work-related illness, and that pension exceeds what you would have been awarded if you had retired at the same time on ordinary ill-health grounds, then the excess is exempt from Income Tax under Extra Statutory Concession A62
- war widow's pensions and some pensions paid to other dependants of deceased armed forces and Merchant Navy personnel are not taxable. Sometimes these are not paid, or are reduced, because you get another pension or benefit such as a pension from overseas. Where this happens it reduces the taxable amount of the other pension or benefit you receive. Ask the Orderline for *Help Sheet IR310: War widow's and dependant's pensions:* this tells you how to work out the taxable amount
- pensions and annuities payable under special German or Austrian laws to victims of Nazi persecution are wholly exempt from Income Tax
- pensions payable under certain German or Austrian social security laws are wholly exempt from Income Tax where the pensioner was prevented by persecution, or flight from persecution, from making normal social security contributions, and has subsequently been given credit under German or Austrian laws for the unpaid contributions, or was allowed to purchase additional years under persecution laws
- pensions payable under certain German or Austrian social security laws are wholly exempt from Income Tax where the grant of the pension is dependent upon the exercise of a discretion by the granting authority.

If, in the year ended 5 April 2000, you received for the first time, a pension covered by any of the last three categories above, you should attach a copy of the pension-awarding document ('Bescheid') to your Tax Return.

If you are not sure whether the pension you have received is within any of the exempt categories, ask your Inland Revenue office or tax adviser for assistance.

- One-tenth deduction where arising basis applies

A one-tenth deduction is available for overseas pensions and annuities funded by an overseas employer or pension fund so that only 90% of such a pension or annuity is chargeable to UK Income Tax. This deduction is, however, available only for pensions and annuities which are taxable on the arising basis. If your pension is taxable on the remittance basis (see page FN2) the full amount of the actual sums received in the UK is taxable.

continued over

column E Enter in column E the amount in column B minus:

- any amount exempted, including the one-tenth deduction, if appropriate, **and**
- if you are not claiming tax credit relief, any foreign tax entered in column D. If you **are** claiming tax credit relief, do not deduct any part of the amount in column D from the figure in column B, before entering a figure in column E. Tick the box in column E to claim tax credit relief.

Overseas social security benefits

If, during 1999-2000, you received benefits under the social security legislation of a foreign government, you should enter the amounts in the appropriate column on the Foreign Pages. Exclude benefits awarded under foreign social security laws that correspond to the following UK social security benefits (these are not taxable by virtue of Extra Statutory Concession A24):

- Incapacity benefit (where the award was made for a period of incapacity which began before 13 April 1996)
- Incapacity benefit paid during the first six months of your incapacity
- Attendance allowance
- Disability living allowance
- Severe disablement allowance
- Maternity allowance
- Widow's payments
- Child's special allowance
- Guardian's allowance
- Child benefit.

If you are uncertain about whether a particular foreign social security benefit is covered by ESC A24, ask your Inland Revenue office or tax adviser.

column A Enter the name of the country where your income arose.

columns B to D Remember that if you received more than one overseas benefit, you should enter details of each on a separate line.

Enter the amounts of taxable benefits before deducting any UK or foreign tax in column B. Leave column C blank. Enter the amount of foreign tax in column D.

column E Enter the amount in column B *minus*, if you are not claiming tax credit relief, any foreign tax included in column D.

If you are claiming tax credit relief, do not deduct any part of the amount in column D from the figure in column B before entering a figure in column E. Tick the box in column E to claim tax credit relief.

Income from land and property abroad

How you fill in Pages F4 and F5 for overseas land and property depends on whether you are taxable on the remittance basis, or the arising basis. Read the notes below.

Remittance basis

The remittance basis applies to individuals who, although resident in the UK for tax purposes, are either not domiciled in the UK or who, being Commonwealth or Irish citizens, are not ordinarily resident in the UK. If you think this applies to you, you should obtain and complete the Non-residence Pages.

The remittance basis does not, however, apply to income from let property situated in the Republic of Ireland, which is always taxable on the arising basis (see page FN2).

If the remittance basis applies to you, you are only taxable on income from overseas let property to the extent that you bring the income to the UK. **You do not need to complete boxes 6.11 to 6.38**. Fill in columns A to E as instructed below.

Filling in Page F2, if the remittance basis applies to you

column A Enter the name of the country where the property is situated. If you have more than one property and they are in different countries, provide details in the 'Additional information' box on Page F5.

column B Enter in column B the full amount of income from the property you brought to the UK.

column C Leave column C blank.

column D Enter the amount of any foreign tax paid that is attributable to the income shown in column B. If you do not bring all your overseas rental income to the UK, any foreign tax paid on the total letting income should be apportioned accordingly.

Example 4

Richard's overseas rents are £10,000, on which foreign tax of £2,000 was paid to the overseas tax authority. If Richard brings £6,000 of the net after tax income (£8,000) to the UK, the foreign tax attributable to that amount is:

$$\frac{£6,000}{£8,000} \times £2,000 = £1,500$$

Richard should enter £7,500 (that is, £6,000 plus £1,500) in column B and £1,500 in column D

column E If you wish to claim tax credit relief (see page FN2), copy the figure in column B to column E. This is the amount on which UK tax is charged. Tick the box in column E.

If you do not wish to claim tax credit relief, deduct the figure in column D from that in column B and enter the net amount in column E. Do not tick the box in column E.

Arising basis

If you are not taxable on the remittance basis, the arising basis applies (see page FN2) and you are taxable on the full amount of your overseas rental income for the year ended 5 April 2000 whether or not you bring it to the UK.

Before you fill in columns A to E on Page F2, complete Pages F4 and F5. Fill in Page F4 if you have only one overseas let property or you have more than one but they are all in the same foreign country, or you have more than one but there has been no foreign tax deducted from the income.

Otherwise fill in a copy of Page F4 for each overseas let property. Either take copies of Page F4 before you start filling it in or ask the Orderline for extra copies of the Foreign Pages. Please put your name and tax reference next to the property address box on each copy of Page F4 you fill in.

Filling in Page F4

First, enter the full address of the property, or if Page F4 is to be used for more than one let property, the address of the first property. Use the 'Additional Information' box on Page F5 for the addresses of the other properties.

Income

box 6.11 If you enter into any transaction that produces rents or other receipts from any rights or interests you hold in land or property situated abroad, those rents and receipts are taxable.

Enter in box 6.11 the full amount of the receipts from the property(ies) in question, but excluding **any chargeable premiums**. These go straight onto Page F2. See the notes below.

Income includes receipts in cash or in kind. It is taxed when it is earned, even if you do not receive the money or goods until later.

Include any rent you receive (or you will receive) after 5 April 2000, that is payment for the year ended 5 April 2000 (because it is paid in arrears). **Exclude** any rent you have received that relates to any period after 5 April 2000 (because it is paid in advance). For example, if your tenant is required to pay rent in advance, the proportion paid that is related to the period should be excluded. It must be included in your income for the year to which it relates.

Make sure you do not count money you received in this year if it was included in an earlier year.

Broadly, most income will be rental income from a tenancy, leasing, or licensing agreements over your land or property. Rental income from furnished, unfurnished, commercial and domestic accommodation, and from any land, should all be included in the overall total. If your property is let furnished, any sums that a tenant may pay for the use of furniture will be taxable as income of your business. All this income should be added together and entered in box 6.11.

Receipts other than rents are also taxable. Examples are rent charges and ground rents, income arising from the grant of sporting rights, and income from waste tipping. If you are in doubt about whether a particular sum should be included as income, ask your Inland Revenue office or tax adviser.

Chargeable premiums

Premiums paid for the grant of a lease and certain other lump sum payments and other forms of consideration given in connection with the right to possession of a property abroad are also taxable, but on a special basis.

Briefly, for leases over 50 years the entire premium is treated as a capital receipt and so does not form part of your taxable income. For leases of less than 50 years, the premium is treated as partly capital and partly rent and only the rent is taxed.

Use the Working Sheet below to calculate the taxable amount.

Working Sheet: chargeable premiums - leases up to 50 years

Premium	A	£
Number of complete periods of 12 months in the lease *(ignore the first twelve months of the lease)*	B	
box A multiplied by box B	C	£
box C divided by 50	D	£
box A minus box D	E	£

Copy the figure in box E to column B on Page F2.

If you have paid foreign tax on the premium, apportion the foreign tax as appropriate and enter the amount attributable to the part of the premium that is taxable in the UK (box E) in column D.

If you wish to claim relief by way of credit for foreign tax paid, copy the figure in column B to column E and tick the box in column E.

If you do not wish to claim tax credit relief, deduct the figure in column D from that in column B and enter the difference in column E. Do not tick the box in column E.

If you are in doubt about whether any payment which you have received constitutes a premium, ask your Inland Revenue office or tax adviser.

box 6.11A Tick box 6.11A if box 6.11 contains income from more than one overseas let property.

Expenses

If your total property income in the year before expenses is less than £15,000 annually, you do not have to list expenses separately. Instead put total expenses in box 6.17.

The following guidelines give an indication of the main types of expenses likely to arise in a rental business, and what usually cannot or can be claimed as a deduction.

Non-allowable expenses:

- personal expenses (see the notes about box 6.20 on page FN8)
- capital costs, such as expenses relating to the purchase of the land or property you intend to let, for the cost of purchasing machinery, furnishings or furniture
- any loss you make on the sale of a property.

Allowable expenses:

- in general, any costs you incur for the sole purpose of earning business profits
- you may be able to claim capital allowances or a renewals deduction on the cost of buying a capital asset, or a wear and tear allowance for furnished lettings.

Remember that the expenses must be allocated to the correct Return period and it may be necessary to apportion certain expenses to arrive at the correct amount.

Rent, rates, insurance, etc

box 6.12 If you hold a leasehold interest in a property that you let to someone else, any rent you pay under the lease can be deducted in working out your taxable income. Other similar expenses connected with the property, such as local rates or ground rents, are also allowable.

Include in the figure at box 6.12 any expenses that you are obliged to incur as landlord insuring the let property and its contents. Insurance against loss of rents is also an allowable cost but you must include in box 6.11 any income you receive as a result of taking out such insurance. The cost of insurances not connected with the letting business, such as personal policies or those insuring your private belongings are not, however, allowable expenses.

Repairs, maintenance and renewals

box 6.13

Repairs and maintenance

Expenses that prevent the property from deteriorating can be deducted as a repair. Examples of allowable repairs include exterior and interior painting, stone-cleaning, damp treatment, roof repairs, furniture repairs, and repairs to lifts and other machines which form part of the property.

continued over

Where maintenance and repairs of property are made unnecessary by improvements, additions or alterations, part of the outlay equal to the estimated cost of the maintenance and repairs can be claimed as an expense. No expense can be claimed, however, where:

- the alterations, etc. are so extensive as to amount to the reconstruction of the property, or
- there has been a change in the use of the property which would have made the maintenance or repairs unnecessary.

Renewals

A deduction may be allowed for the cost of replacing furniture and machinery supplied with your property where capital allowances are not claimed (see the notes for box 6.24 on page FN9). It also covers the renewal of small items such as knives and forks. If you opt for a renewals deduction, you may deduct the cost of replacing any such equipment, but not the cost of the original purchase. You should deduct from the replacement cost any sum you have received for the item you have scrapped or sold. Also deduct any part of the replacement cost that represents an improvement or addition to the original item.

Enter in box 6.13 the total of any such expenses on repairs, maintenance and renewals incurred in 1999-2000 for the property in question. If you are in doubt about whether any work undertaken on the property constitutes a repair, or what sum to claim as a renewal, ask your Inland Revenue office or tax adviser.

- Finance charges, including interest

box 6.14 Enter in box 6.14 any expenses incurred in obtaining a loan to buy the property that you let, together with any interest payable on such a loan for the 1999-2000 tax year.

If the whole of the property was not let, or if the property was not available for letting for the whole of the year (because, for example, you occupied it yourself for part of the year), apportion the interest payable. Only the amount which is attributable to the letting of the property should be entered in box 6.14.

- Legal and professional costs

box 6.15 Below are some examples of expenses you cannot deduct and those you may.

Non-allowable expenses:

- expenses in connection with the first letting or sub-letting of a property for **more than one year**. These include, for example, legal expenses (such as the cost of drawing up the lease), agents' and surveyors' fees and commission
- any proportion of the legal, etc. costs which relate to the payment of a premium on the renewal of a lease
- fees incurred in obtaining planning permission or on the registration of title when buying a property.

Allowable expenses:

- expenses for the let of a year or less
- the normal legal and professional fees you incur on the renewal of a lease, if the lease is for less than 50 years
- professional fees in drawing up accounts
- professional fees incurred in evicting a unsatisfactory tenant, with a view to re-letting, or those on an appeal against a compulsory purchase order.

If you are unsure whether any legal or professional fee is allowable as a deduction, ask your Inland Revenue office or tax adviser.

- Cost of services provided

box 6.16 If, in addition to letting the property, you provide services to your tenant, such as gardening, porterage, or cleaning, you can claim the cost of these services to the extent that they are provided wholly and exclusively for the purposes of the letting.

Enter in box 6.16 the cost of services provided in connection with the letting of the property in question. If the tenant makes a separate payment for the services over and above the normal rent, ensure that the payments are included as income in box 6.11.

- Other expenses

box 6.17 Enter in box 6.17 all expenditure incurred wholly and exclusively for the purposes of the letting which has not already been included at boxes 6.12 to 6.16. Examples include the cost of rent collection, advertising for tenants, stationery, telephone calls and other miscellaneous expenditure.

Remember that personal expenditure is not allowable. If you spend money on something only partly used for the purposes of the letting, you must exclude the amount not attributable to the letting or enter the whole amount in box 6.17 and enter at box 6.20 the proportion of the cost which represents your private use.

Tax adjustments

- Private use proportions

box 6.20 Personal and private expenditure is not allowable as a deduction. If you spend money on something which is only partly used for your property business and partly for a non-business reason you must **either**:

- enter the amount expended for the purposes of the letting in boxes 6.12 to 6.17, **or**
- enter the full amount of the expenses in those boxes and deduct in box 6.20 the proportion of the cost which represents the private or non-letting element.

For example, where the property was let for only eight months of the year and you used it yourself (or allowed friends or relatives to use it) for the rest of the year, if you enter the full annual cost of insuring the property in box 6.12, you should add back one-third of that amount in box 6.20.

If you are in any doubt about whether a particular expense needs to be apportioned between business and private use, ask your Inland Revenue office or tax adviser.

- Capital allowances and balancing charges

boxes 6.21 and 6.23 The cost of buying, altering, building, installing or improving fixed assets, or depreciation or losses, which arise when you sell or otherwise dispose of them, are not allowable deductions in calculating rental income.

Instead, you may sometimes claim capital allowances in box 6.23. These reduce a profit or increase a loss. An adjustment, known as a 'balancing charge', may arise when you sell an item, give it away or simply stop using it in your letting business. Enter the amount of a balancing charge in box 6.21. This will increase your profits or reduce your losses.

If, however, the property that you let is a dwelling house (including a flat) let furnished, capital allowances are **not** available on any plant or machinery or furniture or fittings supplied.

Your tax adviser, if you have one, will tell you how to calculate capital allowances and balancing charges. If you do not have a tax adviser ask the Orderline for *Help Sheet IR250: Capital allowances and balancing charges in a rental business*.

- 10% Wear and tear

box 6.24 If you let a dwelling house (including a flat) as furnished accommodation, capital allowances are not available. Instead, you may claim a deduction for **either**:

- the net cost of replacing a particular item of furniture, but not the cost of the original purchase (see the notes on page FN8 about 'Renewals'), **or**
- an allowance amounting to 10% of the rent received *minus* charges or services which would normally be borne by a tenant but which are, in fact, borne by you (for example, local rates and water rates). This allowance, known as wear and tear allowance, is accepted as broadly covering the cost of normal renewals of furniture.

Capital allowances can be claimed if you let furnished accommodation other than a dwelling house. If capital allowances can be claimed, you cannot claim the 10% wear and tear allowance.

boxes 6.26 and 6.27

If you filled in one Page F4

Enter any net profit in box 6.26. If there is a net loss, enter '0' in box 6.26 and the amount of the loss in box 6.27. Go on to Page F5.

If you filled in more than one Page F4

Enter any net profit in box 6.26. If there was a loss, enter '0' in box 6.26 and the amount of the loss in box 6.27. Go on to Page F5.

Filling in Page F5

If you completed one Page F4 fill in boxes 6.28 to 6.32. If you completed more than one Page F4 provide details about each let property, using a separate line of the grid for each, and then fill in boxes 6.33 to 6.38.

- Taxable profit for year

boxes 6.28 and 6.29 If you completed only one Page F4 and there is more than one let property then the profits and losses of all the rented properties must be pooled in order to calculate the overall result. Any losses from overseas let property that were unrelieved at 5 April 1999 may be deducted from, or added to, the overall profit or loss, respectively.

box 6.30 If box 6.28 is a profit take away any losses brought forward in box 6.29 and enter the result in box 6.30. Copy box 6.30 to column B on Page F2.

- Losses to carry forward

box 6.31 If you entered '0' in box 6.26 because expenses exceeded rental income, add the figure in box 6.27 to any losses brought forward in box 6.29 and enter the total in box 6.31. Make a note of the amount. You will need this figure when completing next year's Tax Return.

- Foreign tax paid on the rental income

box 6.32 If you have paid foreign tax enter the amount of foreign tax paid in box 6.32. Copy box 6.32 to column D on Page F2 and fill in columns A and E as appropriate.

- Filling in the columns on page F2

column A Enter the name of the country where the property is situated.

column B Enter in column B the amount of profit for the year from box 6.30

column C Leave column C blank.

column D Enter the amount of any foreign tax paid in respect of income chargeable to UK tax from box 6.32.

column E If you are not claiming tax credit relief enter the amount in column B *minus* any foreign tax in column D. If you **are** claiming tax credit relief, copy the figure in column B to column E. Tick the box in column E to claim tax credit relief.

- Taxable profit for the year if you filled in more than one Page F4

box 6.33 to 6.35 Profits and losses of all the let properties must be pooled in order to calculate the overall result. Any losses from overseas let properties that were unrelieved at 5 April 1999 may be deducted from, or added to, the overall profit or loss respectively.

Normally, the tax authorities of the country where the let property is situated will also charge tax on the letting profits. If no further relief was given this would mean that you would pay tax on the same profits both here and abroad. But the double charge is relieved by deducting the overseas tax paid on the property income from the UK tax due on the same income. This is done either under the terms of a Double Taxation Treaty with the overseas country or, where no treaty exists, under separate UK rules.

If the overseas income has suffered foreign tax and a claim to tax credit relief is made, it will be necessary to identify the amount of UK tax attributable to income from each particular property. Where, therefore, tax credit relief is claimed, separate computations of profits and losses for each property will be required. There is an example on page FN10.

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For the purposes of calculating tax credit relief, losses should be deducted in the order most favourable to your claim. Normally, this will mean that losses should be allocated first against the source that has suffered the lowest rate of foreign tax. For example:

	Country A	Country B	Country C	Total
Income	6,000	4,000	6,000	
Expenses	1,000	6,000	4,000	
Profit (loss)	5,000	(2,000)	2,000	5,000

The following amounts of foreign tax have been paid

		Rate of foreign tax	Tax deducted
Country A	5,000	10%	500
Country B	Nil		
Country C	2,000	30%	600
Total foreign tax			1,100

Assuming that all of the income is wholly chargeable at 23% the Income Tax due will be as follows:

Country A
£5,000 @ 23% = £1,150

Allocate all the losses that arose in Country B to Country A as that has suffered the lowest rate of foreign tax:

Profit £5,000
Losses £2,000
Net £3,000 @ 23% = £690

All of the foreign tax paid of £500 is available for tax credit relief.

Country C
£2,000 @ 23% = £460

Although foreign tax of £600 has been paid, the amount available for tax credit relief is limited to the amount of UK tax charged on the same income, that is £460.

Summary

Income Tax due	£690 + £460	=	£1,150
Tax credit relief	£500 + £460	=	£960
Net UK tax payable		=	£190

If you need any assistance in calculating the relief due, please contact your Inland Revenue office.

Further guidance may be found in leaflet IR150: *Taxation of rents. A guide to property income*, available from the Orderline. If you are taxable at the higher rate (40%) rework the example to ensure you claim the losses in the most favourable way.

If box 6.33 is a profit take off any losses brought forward in box 6.34 and enter the result in box 6.35. Copy box 6.35 to column B on Page F2.

- Foreign tax paid on rental income

box 6.36 Add up the foreign tax deducted and enter the total in box 6.36.

box 6.37 After allocating any losses in the most favourable way add up the amounts chargeable and enter the total in box 6.37.

box 6.38 If the overall result is a loss, enter the loss in box 6.38. Keep a note of the amount because you will need it for next year's Tax Return.

- Filling in the columns on page F2

column A Enter 'see Page F5'.

column B Enter in column B the overall amount of profit for the year from box 6.35.

column C Leave column C blank.

column D Enter the amount of foreign tax paid on income chargeable to UK tax from box 6.36.

column E If you are not claiming tax credit relief enter the figure in column B *minus* any foreign tax deducted in column D. If you **are** claiming tax credit relief, copy box 6.37 to column E and tick the box to claim the relief.

Income received by overseas trusts, companies and other entities

If you have transferred, or taken any part in the transfer of, assets as a result of which income has become payable to a trust, company or other entity situated abroad **and**,

- you are ordinarily resident in the UK and you or your husband or wife may at any time enjoy any of that income (in whatever form), **or**
- you or your husband or wife have received or are entitled to receive a capital sum connected in any way with the transfer,

enter that income in columns A to E on Page F2 and include it in the total amounts in boxes 6.3, 6.3A, 6.4 and 6.4A **unless** you are ticking box 6.5A (see the note about box 6.5A on page FN11). Entries in boxes 6.3 and 6.4 should include such income chargeable at the starting rate, 10%, basic rate 23% and higher rate, 40%; entries in boxes 6.3A and 6.4A should include dividend income derived from a UK company together with other income chargeable at the ordinary rate 10%, and the upper dividend rate 32.5%.

boxes 6.3 and 6.3A Add up the appropriate figures in column C and enter the totals in the relevant box, 6.3 or 6.3A.

boxes 6.4 and 6.4A Add up the appropriate figures in column E and enter the totals in the relevant box, 6.4 or 6.4A.

Other overseas income

Disposals of holdings in offshore funds

box 6.5 An offshore fund is:

- a non-resident company, **or**
- a foreign unit trust, **or**
- any other arrangement which takes effect under the law of a foreign country and creates rights in the nature of co-ownership,

in which you hold a 'material interest'. Your interest in an offshore fund is material if, at the time you acquired it, you might reasonably expect to be able to realise it (usually by redemption) within the following seven years, at about the market value of the fund's assets that the interest represents at that time.

The income arising from your offshore fund should be returned on Page F1. Box 6.5 should be used for the charge which arises on the disposal of a holding in an offshore fund which has not been granted 'distributor status' (see below).

There are special rules for the taxation of **gains** arising in offshore funds. Where an offshore fund qualifies for 'distributor status', Capital Gains Tax will usually apply to gains on disposal of an interest in the fund. If this is relevant to you, ask the Orderline for the Capital Gains Pages of your Tax Return.

'Distributor status' is granted to funds which regularly distribute the bulk of their income to investors rather than those which roll up the income in the fund until the investor disposes of the holding. To find out whether your offshore fund qualifies for distributor status, you should look at the latest annual report and accounts of the fund or ask the fund manager.

If the offshore fund **does not qualify for distributor status**, the un-indexed gain on disposal of an interest in the fund is subject to **Income Tax** and the **amount of the gain must be entered in box 6.5.**

If the offshore fund **qualifies for distributor status but operates** '**equalisation arrangements**', part of the gain will be subject to Income Tax. That amount will normally be shown on the redemption voucher given to you by your fund manager and must be **entered in box 6.5.**

Income from non-resident trusts

box 6.5 If you have an absolute entitlement to the income from a non-UK resident trust, enter the foreign source income on Pages F1 and F2 and in boxes 6.1 to 6.4 according to the nature of the income. UK source income should be entered in the Trusts etc. Pages in boxes 7.1 to 7.6A (or as directed in the notes for those boxes on page TN1 of the Notes on Trusts etc.).

If you have received a discretionary payment from the non-UK resident trust, enter all of the income in box 6.5. If you wish to make a claim under Extra Statutory Concession B18, you should contact:

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

Benefits received from overseas trusts, companies and other entities

boxes 6.5 and 6.5A If someone else has made the same sort of transfer of assets mentioned in the note on page FN10 'Income received by overseas trusts, companies and other entities', the value of the payment or any other benefit you receive is treated as your income for tax purposes to the extent that the company, trust or other entity has 'unexpended income'. Unexpended income means income that has not already become that of another individual or that has not otherwise been spent by the company, trust or other entity. Income which arose before 10 March 1981 is not counted for this purpose. A 'chargeable event gain' on a UK or foreign life insurance policy, life annuity or capital redemption policy is treated as income for this purpose if the rights under the policy or life annuity are held:

- by a non-resident trust and the person who created the trust is not charged UK tax on the gain. (If the rights under a policy or life annuity are held on trust any gain is usually treated as income of the person who created the trust. But this is not the case if the trust was created by an individual who is non-resident or dead. Nor is this the case if the trust was created by a company or other entity if the company or other entity is non-resident, has been dissolved, wound up or has otherwise come to an end. Note, if you are the beneficiary of a bare trust any gain is usually treated as your income. It should be included in boxes 12.4 to 12.8 of your Tax Return, the boxes for chargeable event gains.); **or**
- as security for a debt owed by a non-resident trust; **or**
- by an overseas entity; **or**
- as security for a debt owed by an overseas entity.

A gain is not counted for these purposes if the first or second bullet above would apply but;

- the policy or life annuity was made before 17 March 1998 (Budget day); **and**
- the policy or life annuity has not been 'enhanced' on or after 17 March 1998 by paying further non-contractual premiums or in any other way; **and**
- the trusts were created by an individual who died before 17 March 1998.

A gain on a policy or life annuity is not counted as unexpended income if the chargeable event was before 6 April 1999.

If you received your payment or other benefit from a United Kingdom trust which either has been non-resident, or which has received assets from a trust which either is or has been non-resident, only count unexpended income that arose while the relevant trust has been abroad. Chargeable event gains count if the trust was non-resident immediately before the chargeable event. If you are not sure whether this applies to your circumstances ask the trustees or your tax adviser. 'Benefits' include, for example, loans at less than a commercial rate of interest and the occupation or use of property at less than a commercial rental, the value of the benefit being the difference between the commercial rate of interest or rental and any amount actually paid to you.

A trust will be non-resident if all trustees are themselves resident outside the United Kingdom. A trust may also be non resident if at least one of its trustees is resident outside the United Kingdom - ask the trustees or your tax adviser if you are not sure whether the trust is treated as non-resident. 'Indirect' receipt must also be included, for example, if the capital or benefit came from a company controlled by the trustees or from a United Kingdom resident trust that has been, or has received funds from, an overseas trust.

If you received capital or benefit (other than income) from a trust which either is, or has been, non-resident, or which has received assets from a trust which either is or has been non-resident, enter that amount in box 6.5.

Enter in box 6.5 (unless you are ticking box 6.5A for the reason given below), the value of any payment or benefit received directly or indirectly to the extent that it is matched by unexpended income. If the payment or benefit is greater than the unexpended income, enter in box 6.5 the amount of the unexpended income. You may need to ask the overseas company, trust or other entity for this information. Include the value of any payment or benefit received in an earlier year if and to the extent that this was not taxed in earlier years. If the value of what you have received or benefited from exceeds the unexpended income that the overseas company trust or other entity has, you may be liable to Capital Gains Tax on the excess. You may need *Help Sheet IR301: Calculation of the increase in tax charge on capital gains from non-resident, dual resident and immigrating trusts* as well as the Capital Gains Pages; both are available from the Orderline. Otherwise that excess will need to be taken into account when completing your Tax Return next year. Also enter in the 'Additional Information' box on Page F3 the full name and address of the company or other entity receiving the income. Where the capital or other benefit has come from a resident trust in the circumstances described above, also give details of the circumstances including the full name of any other trust involved.

box 6.5A These provisions relating to transfers of assets do not apply if you can show that the purpose of the transfer and any associated operations was not to avoid tax. But if you are omitting income for this reason from columns A to E on Page F2 and boxes 6.4, 6.4A or 6.5 you must tick box 6.5A.

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For more information about gains and chargeable events on policies and life annuities, see the notes to boxes 12.4 to 12.8 on page 15 of the Tax Return Guide, the notes to boxes 6.6 to 6.8 below, and *Help Sheets IR320* and *IR321*. These Help Sheets also explain how the rules apply to a trust created by more than one person.

Gains on foreign life insurance policies, life annuities and capital redemption policies

boxes 6.6 to 6.8 The notes below are about gains on foreign life insurance policies, life annuities and capital redemption policies. If any of the events listed below have occurred, you may have made a taxable gain you need to report in boxes 6.6 to 6.8. The events that may give rise to a taxable gain include:

- death, giving rise to the payment of benefits
- a part surrender giving rise to a partial withdrawal of benefits
- payment of a cash bonus
- a sale or gift of part of a policy or life annuity
- a policy or life annuity coming to an end
- an insurance company making a loan to you or, at your direction, to someone else
- the sale or assignment of a policy or life annuity.

These are examples of what are called chargeable events. The gains they may give rise to are sometimes called 'chargeable event gains'. The rules for working out the amount of the gain vary according to the type of event, but in general it will not be the same as the amount you have received.

Help Sheet IR321: Gains on Foreign Life Insurance Policies, available from the Orderline, contains more information including details about how to work out the amount of any gain.

Under arrangements with the Inland Revenue, if your insurance company knows that something has happened to give rise to a chargeable event gain (as will usually be the case) it may have notified the Inland Revenue of the amount you received.

A policy is a foreign policy if it was issued by:

- an overseas insurance company, (**but** this does not include policies issued by a UK branch of an overseas insurance company provided certain conditions are met - the company can tell you if they are), **or**
- a UK insurer which accounts for the policy as part of its 'Overseas Life Assurance Business'. Overseas Life Assurance Business includes most business effected at a foreign branch of a UK insurer and some business sold out of the UK on what is known as a 'services basis' to individuals residing outside the UK when the policy is effected.

Most gains from foreign policies and life annuities are taxable in full. Even if foreign tax has been paid by your insurer, you cannot claim tax credit relief. However, some gains from foreign policies and life annuities are treated as if tax at the basic rate has been paid on them. This tax is never repayable. *Help Sheet IR321: Gains on Foreign Life Insurance Policies*, available from the Orderline, contains further information.

Some gains are reduced for periods of residence outside the UK. *Help Sheet IR321: Gains on Foreign Life Insurance Policies* contains more information.

Some foreign life insurance policies do not give rise to gains. They may be, for example, 'qualifying' life insurance policies. Some annuity contracts do not give rise to gains. *Help Sheet IR321: Gains on Foreign Life Insurance Policies* contains more information.

Insurance companies sell a variety of products labelled 'guaranteed income bonds', 'income bonds' and so on, a feature of which is that they provide regular payments annually, monthly, etc. These may comprise one or more policies of life insurance and gains on them should be included in this section. There may be no gains in some years in which regular payments are received.

If an Overseas Life Assurance Business policy was effected before 17 March 1998 and the policy has not been 'enhanced' on or after 17 March 1998 by paying further non-contractual premiums or in any other way, you should include any gain in box 6.8 and should enter the tax treated as paid in box 6.7. This is 23% of the amount in box 6.8. This tax is never repayable.

If an Overseas Life Assurance Business policy was effected or enhanced on or after 17 March 1998 you should enter the gain in box 6.8. No tax is treated as having been paid.

The insurer may have told you the amount of the gains you made. If not, ask your insurer to tell you:

- what sort of policy or annuity you have
- whether you have made gains and if so what the gains are
- whether the gains are treated as if tax at the basic rate has been paid on them.

The way you fill in boxes 6.6 to 6.8 depends on the number and type of gains in the year and whether or not they are treated as having been taxed.

The number of years to be entered in box 6.6 or in the 'Additional information' box on page 8 of your Tax Return is the number of complete years since the policy or life annuity was made, except where the insurance is a policy of life insurance taken out on or before 17 November 1983 and not 'enhanced' afterwards by paying further non-contractual premiums or in any other way, or a life annuity, or a capital redemption policy taken out on or before 22 February 1984 and the gain is as a result of a second or subsequent chargeable event as a result of a partial withdrawal, payment of a cash bonus, sale or gift of part of a policy or life annuity, or loan. There is a special rule that for each policy or life annuity these transactions give rise to only one chargeable event a year. *Help Sheet IR321: Gains on Foreign Life Insurance Policies* explains when. Enter the number of years since the last preceding chargeable event as a result of a partial withdrawal, payment of a cash bonus, sale or gift of part of a policy or life annuity, or loan. Note, if partial withdrawals etc. are made every year enter '1'. If the period from when an insurance was made to when it ends is less than a complete year, also enter '1'.

If a gain is reduced because of a period of residence outside the UK, the number of complete years you enter is also reduced, but never below '1'. *Help Sheet IR321: Gains on Foreign Life Insurance Policies* contains more information.

If you made one gain which is not treated as having tax deducted, enter the amount of the gain in box 6.8, and the number of complete years in box 6.6.

If you made one gain which is treated as having tax deducted, enter the amount of the gain in box 6.8 and the tax treated as paid in box 6.7. This is 23% of the amount in box 6.8. Also put the number of complete years in box 6.6.

Many insurance packages involve a cluster of identical policies of life insurance. I**f you have gains from more than one policy, and they are all identical policies within a cluster**, include total gains in box 6.8, the tax treated as paid in box 6.7 if appropriate (23% of the amount in box 6.8) and the number of years in box 6.6.

Otherwise you will need to enter details in the 'Additional information' box on page 8 of your Tax Return. Describe each policy, life annuity or cluster of identical policies and state the amount of the gains, the number of complete years and the amount of any tax treated as paid. Then transfer totals to boxes 6.7 and 6.8 but make no entry in box 6.6.

If the rights under a policy or life annuity are held on trusts which you have created any gain made on the policy or life annuity is usually treated as your income. If you are the beneficiary of a bare trust, any gain is usually treated as your income. *Help Sheet IR321: Gains on Foreign Life Insurance Policies* contains more information.

Deficiencies arising from policies of life insurance, life annuities and capital redemption policies

A relief may be due very occasionally when a policy of life insurance, a life annuity or capital redemption policy comes to an end. If there have been previous gains during the term of the policy, relief may be due **but not otherwise**. This is not a relief for a 'loss' but a relief to ensure that the total amount treated as investment income is never more than the total gain made under the policy or life annuity. It is known as 'corresponding deficiency relief' **and should be entered in box 12.12 in your Tax Return**. If you think this relief applies to you, ask the Orderline for *Help Sheet IR321: Gains on Foreign Life Insurance Policies.*

Filling in Page F3

Fill in Page F3 if you are claiming tax credit relief on income or gains reported elsewhere in your Tax Return.

Fill in Page F3 if you have completed the Pages for:

- Employment, **or**
- Self-employment, **or**
- Partnerships, **or**
- Capital gains, **or**
- boxes 13.1 to 13.3 on page 4 of your Tax Return - Other income,

and you have paid foreign tax on that income or those gains

and you want to claim tax credit relief for the foreign tax.

Remember, you cannot claim tax credit relief for any foreign tax you have deducted in calculating the taxable amount of your income (or gains).

Tax credit relief for foreign tax paid on employment, self-employment and other income

For income from membership of Lloyd's, please see page LUN11 of the Notes on Lloyd's Underwriters for guidance on completing this part of the Foreign Pages.

column A Enter the name of the country where your income arose and whose tax has been deducted from that income.

column D Enter in sterling the amount of foreign tax paid.

column E Enter in column E the gross amount of income you have reported elsewhere and on which foreign tax has been paid.

If you carried on a trade, profession or vocation in the UK and the gross receipts of the business include income on which you have paid foreign tax, you need to calculate the amount of the overall profits attributable to the overseas receipts. Do this by attributing the profit in proportion to geographical turnover, or by a more precise allocation of business expenses against the foreign receipts.

If the source of income is the overseas branch of a UK business, enter in column E the gross profits earned by the branch. You might be asked later for a copy of the branch accounts.

Trades, professions and vocations set-up - overlap profits and tax credit relief

If you earned profits from a trade, profession or vocation in 1999-2000 and your basis period overlaps with the basis period for 1998-99, you may be able to claim tax credit relief in 1999-2000 for any foreign tax paid on the profits of the overlap period, even though relief for the same tax may already have been allowed in working out your tax liability for 1998-99.

Example 5

Mike's business started on 1.10.98. His first account is for the 12 months to 30.9.99. His basis periods are:

1998-99	1.10.98 to 5.4.99
1999-2000	1.10.98 to 30.9.99

The period of overlap is 1.10.98 to 5.4.99 (six months). So if the profit of the 12 months to 30.9.99 is £12,000, the 'overlap profit' is ($^6/_{12}$ x 12,000) = £6,000 (over six months). This is the same as the assessable amount for 1998-99.

Suppose Mike's profits for the 12 months to 30.9.99 include overseas profits of £4,000 on which he has paid foreign tax of £1,500. The total foreign tax available for tax credit relief in the two years 1998-99 and 1999-2000 will be:

12 months to 30.9.99	£1,500
+ overlap period ($^6/_{12}$ x £1,500)	£750
	£2,250

The amount eligible for tax credit relief in 1999-2000 is £2,250 *minus* the amount of tax credit relief allowed for the overlap profit in 1998-99. So, if £1,000 relief was allowed in 1998-99, £1,250 will be available for relief in 1999-2000.

If your basis periods for 1998-99 and 1999-2000 overlap in this way ask the Orderline for *Help Sheet IR260: Overlap* to work out the amount of foreign tax to be entered in column D on Page F3.

Overlap relief and tax credit relief

Overlap profits which arose in an earlier year can be deducted as 'overlap relief' in working out taxable business profits for 1999-2000 if either:

- you sold or closed down your business in 1999-2000, **or**
- following a change of accounting date, your basis period for 1999-2000 is more than 12 months long.

If you are claiming overlap relief for 1999-2000 and the overlap profits available include profits for which tax credit relief for foreign tax paid was allowed in an earlier year, all or part of that tax credit relief is recoverable in 1999-2000.

The amount to be recovered is the amount of additional tax credit relief which was allowed in earlier years in respect of the overlap profits deducted as overlap relief in 1999-2000.

Example 6

Liz has available overlap profits of £5,000 that had suffered foreign tax of £1,300.

In the two years when the overlap profits were taxable, a total of £1,950 tax credit relief (that is, additional tax credit relief of £1,950 *minus* £1,300 = £650) was allowed for that foreign tax.

If £2,500 (that is, half) of the overlap profits are deducted as 'overlap relief' in 1999-2000, half of the additional tax credit relief ($^{£650}/_2$ = £325) is recoverable in 1999-2000.

Ask your Inland Revenue office for *Help Sheet IR260: Overlap* if:

- you have entered a figure for overlap relief in box 3.76 of the Self-employment Pages, **and**
- relief by way of credit for foreign tax was previously allowed for the overlap profits now deducted, **and**
- you want to calculate your tax.

The Help Sheet will give you a figure for tax credit relief which needs to be recovered. **Copy it to box 18.4 of your Tax Return**.

If you do not want to calculate your tax enter details, in the 'Additional information' box on Page F3, of the tax credit relief allowed in an earlier year for those overlap profits.

Calculating your tax credit relief

box 6.9 If you calculate your tax credit relief on your income, enter the total in box 6.9. The notes on page FN14 explain how to do this.

continued over

Tax credit relief for foreign tax paid on gains

Enter the following details for each event that has given rise to a chargeable gain in the five columns of Page F3 of your Foreign Pages:

- the amount in sterling of the chargeable gain worked out following UK rules (see the Capital Gains Pages)
- the period of ownership over which that gain accrued
- the amount in sterling of the gains chargeable under foreign tax rules
- the period over which the foreign gain accrued
- the amount in sterling of foreign tax paid.

box 6.10 If you have calculated tax credit relief on your gains, enter the total in box 6.10. Use *Help Sheet IR261: Tax credit relief: capital gain*s available from the Orderline.

Part 2 – calculating tax credit relief

You only need to read Part 2 if you want to calculate your tax. Otherwise ignore what follows and finish filling in your Tax Return.

Relief against Income Tax

If you have paid foreign tax on an item of income that is also chargeable to UK tax you can claim tax credit relief for all or part of the foreign tax up to the amount of the UK tax chargeable on the same item of income.

Relief must be calculated separately for each item of your overseas income. This may mean that you cannot get relief for all the foreign tax you have paid.

If you are claiming credit relief for foreign tax paid against the UK tax due on more than one item of foreign income, you will need to complete a separate Tax Credit Relief Working Sheet for each item of income. Please make however many photocopies you need of the Tax Credit Relief Working Sheet before you start to fill it in.

You **must** complete the Tax Calculation Guide up to and including box C11.27 on page 20 (but ignoring, for the moment, box C11.13) before you begin to complete the Tax Credit Relief Working Sheet.

The whole of the foreign tax in respect of which you are claiming credit will be allowable if:

- all your foreign income is non-savings income and you have completed box C6.16 in the Tax Calculation Guide and the figure in box C6.16 exceeds the total of the foreign income for which credit relief for foreign tax is claimed and none of your foreign income has been subjected to foreign tax at a rate of more than 40%; **or**
- all your foreign income is savings income (other than dividends) and you have completed box C6.19 in the Tax Calculation Guide and the figure in box C6.19 exceeds the total of the foreign income for which credit relief for foreign tax is claimed and none of your foreign income has been subjected to foreign tax at a rate of more than 40%; **or**
- all your foreign income is dividend income and you have completed box 6.21 in the Tax Calculation Guide and the figure in box C6.21 exceeds the total of the foreign income for which credit relief for foreign tax is claimed and none of your foreign income has been subjected to foreign tax at a rate of more than 32.5%.

If any of the above circumstances apply there is no need to complete the Tax Credit Relief Working Sheet. Simply enter in box 6.9 of these Pages the amount of foreign tax for which you are claiming credit and copy it to boxes C11.13 and C11.28 in the Tax Calculation Guide. Otherwise you must complete one or more Tax Credit Relief Working Sheets in order to arrive at the figure to enter in box 6.9.

Method

To ensure that the amount of credit relief allowed for foreign tax on any particular item of income does not exceed the UK tax chargeable on that income, it is first necessary to work out the UK tax chargeable on that income. This figure is then compared with the foreign tax eligible for credit relief.

If the foreign tax eligible for credit relief is less than the amount of UK tax chargeable on the same item of income, the whole of the foreign tax is allowed as tax credit relief.

But if the foreign tax eligible for credit relief exceeds the amount of UK tax chargeable on the same item of income, credit relief is limited to the amount of UK tax, and the excess foreign tax cannot be repaid or deducted in arriving at the amount of income chargeable to UK tax.

If you have more than one item of foreign income (including, for example, dividends from more than one overseas company), you should work out separately the UK tax chargeable on each item in turn, beginning with the item that has been charged at the highest rate of foreign tax and repeating the calculation for each successive item. As each successive item is dealt with, it is excluded from the next calculation, so that eventually the item that has been subjected to the lowest rate of foreign tax is reached. In this way the amount of the relief is maximised.

box 6.9 If you have calculated tax credit relief on your income, enter the amount you are claiming in box 6.9.

Relief against Capital Gains Tax

If you are calculating your tax and wish to claim relief for foreign tax by way of credit against your UK Capital Gains Tax liability, ask the Orderline for *Help Sheet IR261: Tax credit relief: capital gains*.

Foreign tax eligible for relief against UK Capital Gains Tax includes any foreign tax, not necessarily foreign capital gains tax, paid on gains which are chargeable to UK tax. For example, some countries do not have a separate capital gains tax: instead individuals pay income tax on their gains. This income tax will nevertheless usually qualify for credit relief against UK Capital Gains Tax.

box 6.10 If you have calculated tax credit relief on your gains, enter the amount you are claiming in box 6.10.

Filling in the Tax Credit Relief Working Sheet (TCRWS)

These instructlons tell you how to fill In the Tax Credit Relief Working Sheet beginning on page FN16. References in the following notes to boxes beginning with C are to boxes in the Tax Calculation Guide sent to you with your Tax Return.

If you have chargeable gains, ask the Orderline for *Help Sheet IR261: Tax credit relief: capital gains*, to work out tax credit relief on your capital gains.

If you are not sure what to do, ask your Inland Revenue office or tax adviser.

You only need to complete the TCRWS If you want to work out your tax.

Complete a separate TCRWS for each item of foreign income on which you have paid foreign tax in respect of which you want to claim relief by way of credit. Please take sufficient photocopies of the Working Sheet in case you need to fill in more than one TCRWS.

boxes TC1 to TC8 If you are completing your first TCRWS, copy into these boxes the figures in boxes C4.11, C4.7, C4.14, C4.16, C4.18, C4.20, C4.22 and C4.23 of your Tax Calculation Guide.

If you are completing your second or subsequent TCRWS, copy into these boxes the figures in boxes TC49 to TC56 inclusive.

boxes TC9 to TC16 From your Foreign Pages, select the item of income showing the highest rate of foreign tax suffered and for which you have yet to calculate tax credit relief. For that item enter, in the appropriate column in line 2, and also in box TC16, the amount of income chargeable to UK tax as shown in column E. Enter '0' in all the other columns in line 2.

boxes TC25 to TC31 Look at boxes C2.1 to C2.34 of the Tax Calculation Guide. If any of the deductions from income that you have claimed there relate specifically to, and depend upon the amount of, the item of income in boxes TC9 to TC15 above, enter, in line 4, in the same column as that income, and also in box TC32, the amount of the deductions that are attributable to the particular item of income. Enter '0' in all the other columns in line 4.

Example 7
Neil is aged 34 and his business profits of £12,000 include £4,000 that has suffered foreign tax, and he has paid personal pension contribution of £1,800. Based on income of £12,000, relief as a deduction is due for the whole £1,800. If, however, the £4,000 foreign profits are excluded, the personal pension contributions deduction is limited to £1,400 (being 17.5% of the remaining 'net relevant earnings' of £8,000). So the amount of the deduction attributable to the foreign profits is £1,800 *minus* £1,400 = £400. This is the figure that Neil should enter in the appropriate column in line 4 and in box TC32.

boxes TC41 to TC48 If you were born on or after 6 April 1935, enter '0' in boxes TC41 to TC48 inclusive.

If you (or your wife, if you are married) were born on or before 6 April 1935, you need to work out the Personal Allowances that would be due if your income was that shown in box TC24 rather than that in box C3.46 of the Tax Calculation Guide. Page 27 of the Tax Calculation Guide explains how to calculate the personal allowance. Complete boxes A to C in the next column.

Revised age-related allowance	**A**	£
Allowance in box C2.37	**B**	£
Box A *minus* box B	**C**	£

Enter the amount in box C above in the same column as the item of income in respect of which you are calculating tax credit relief. Enter '0' in all other columns in line 6.

boxes TC58 to TC151 Complete these boxes by following the instructions on the TCRWS.

box TC152 If you are completing your first TCRWS, enter the figure at box C.11.30 of your Tax Calculation Guide *minus* the total of boxes C11.15, C11.17, C11.19, C11.21, C11.23 and C11.27.

Otherwise enter the figure in box TC151 of the last TCRWS you completed.

box TC153 Subtract the amount in box TC151 from that in box TC152 and enter the result in box TC153. This is the amount of Income Tax at your marginal rate on the item of income in boxes TC9 to TC15 above.

box TC154 Enter, from column D of your Foreign Pages, the amount of foreign tax paid on the item of income in boxes TC9 to TC15 of this TCRWS.

box TC155 Enter the lower of the figures in boxes TC153 and TC154.

Now complete another TCRWS for your next item of income. Otherwise, add up the figures in box TC166 in each TCRWS that you have completed and enter the total in box 6.9 of your Foreign Pages, and boxes C11.13 and C11.28 in the Tax Calculation Guide.

continued over

Tax Credit Relief Working Sheet (TCRWS)

	Non-savings income, etc.	Lumps sums, etc. and gains	Savings income, etc. (not dividends)	Dividends taxed at 10%
	from box C4.11 or TC49 TC1 £	from box C4.7 or TC50 TC2 £	from box C4.14 or TC51 TC3 £	from box C4.16 or TC52 TC4 £

Deduct the item of income in respect of which tax credit relief is being claimed on this working sheet (see page FN15)

TC9 £	TC10 £	TC11 £	TC12 £
TC1 *minus* TC9 TC17 £	TC2 *minus* TC10 TC18 £	TC3 *minus* TC11 TC19 £	TC4 *minus* TC12 TC20 £

Add any deduction from stage 2 of the Tax Calculation that is specifically attributable to the item entered in boxes TC9 to TC15 above (see page FN15)

TC25 £	TC26 £	TC27 £	TC28 £
TC17 + TC25 TC33 £	TC18 + TC26 TC34 £	TC19 + TC27 TC35 £	TC20 + TC28 TC36 £

Deduct any additional income-related age allowance due as a result of excluding the item of income in boxes TC9 to TC15 (see page FN15)

TC41 £	TC42 £	TC43 £	TC44 £
TC33 *minus* TC41 TC49 £	TC34 *minus* TC42 TC50 £	TC35 *minus* TC43 TC51 £	TC36 *minus* TC44 TC52 £

Basic rate band TC57 £ *26,500*

Corresponding deficiency relief from box 12.12 TC58 £

Pension payments from box 14.15 TC59 £

FSAVCs from box 14.17 TC60 £

Starting rate band TC61 £ *1,500*

Basic rate band TC57 + TC58 + TC59 + TC60 TC62 £

Allocate Non-savings income etc. to tax bands

from TC49 TC63 £

from TC53 TC64 £

TC63 + TC64 TC65 £

TC61 *minus* TC66 TC71 £

TC62 *minus* TC68 TC72 £

	Non-savings income, etc. with notional tax	Savings income, etc. with notional tax	Chargeable event gains etc. with notional tax		Totals
	from box C4.18 or TC53 **TC5** £	from box C4.20 or TC54 **TC6** £	from box C4.22 or TC55 **TC7** £	**Total taxable income** (see page FN15)	from box C4.23 or TC56 **TC8** £
	TC13 £	**TC14** £	**TC15** £		**TC16** £
	TC5 *minus* TC13 **TC21** £	TC6 *minus* TC14 **TC22** £	TC7 *minus* TC15 **TC23** £		TC8 *minus* TC16 **TC24** £
	TC29 £	**TC30** £	**TC31** £		**TC32** £
	TC21 + TC29 **TC37** £	TC22 + TC30 **TC38** £	TC23 + TC31 **TC39** £		TC24 + TC32 **TC40** £
	TC45 £	**TC46** £	**TC47** £		**TC48** £
	TC37 *minus* TC45 **TC53** £	TC38 *minus* TC46 **TC54** £	TC39 *minus* TC47 **TC55** £		TC40 *minus* TC48 **TC56** £

lower of TC65 and TC61 **TC66** £	TC65 *minus* TC66 **TC67** £	lower of TC67 and TC62 **TC68** £	TC66 + TC68 **TC69** £	TC65 *minus* TC69 **TC70** £

continued over

Tax Credit Relief Working Sheet (TCRWS) - continued

Allocate Savings etc. (except dividends) to tax bands

	TC73 £ (from TC51)	
	TC74 £ (from TC54)	
	TC75 £ (TC73 + TC74)	
TC81 £ (TC71 *minus* TC76)		TC82 £ (TC72 *minus* TC78)

Allocate Dividends etc. to tax bands

	TC83 £ (from TC52)	
TC89 £ (TC81 *minus* TC84)		TC90 £ (TC82 *minus* TC86)

Allocate Lump sum payments etc. to tax bands

	TC91 £ (from TC50)	
TC97 £ (TC89 *minus* TC92)		TC98 £ (TC90 *minus* TC94)

Allocate Chargeable Event Gains (with notional tax) to tax bands

	TC99 £ (from TC55)	

Non-savings income

	Income chargeable at starting rate	Income chargeable at basic rate	Income chargeable at higher rate
Non-savings income etc.	TC105 £ (from TC66)	TC106 £ (from TC68)	TC107 £ (from TC70)
Savings etc.			
Dividends etc.			
Lump sum payments etc.	TC113 £ (from TC92)	TC114 £ (from TC94)	TC115 £ (from TC96)
Chargeable Event Gains (with notional tax) etc.		TC116 £ (from TC103)	TC117 £ (from TC104)
	TC118 £ (total of column above)	TC119 £ (total of column above)	TC120 £ (total of column above)
Tax due	TC126 £ (TC118 x 10%)	TC127 £ (TC119 x 23%)	TC128 £ (TC120 x 40%)

lower of TC71 and TC75	TC75 *minus* TC76	lower of TC72 and TC77	TC76 + TC78	TC75 *minus* TC79
TC76 £	TC77 £	TC78 £	TC79 £	TC80 £

lower of TC81 and TC83	TC83 *minus* TC84	lower of TC82 and TC85	TC84 + TC86	TC83 *minus* TC87
TC84 £	TC85 £	TC86 £	TC87 £	TC88 £

lower of TC89 and TC91	TC91 *minus* TC92	lower of TC90 and TC93	TC92 + TC94	TC91 *minus* TC95
TC92 £	TC93 £	TC94 £	TC95 £	TC96 £

lower of TC97 and TC99	TC99 *minus* TC100	lower of TC98 and TC101	TC100 + TC102	TC99 *minus* TC103
TC100 £	TC101 £	TC102 £	TC103 £	TC104 £

Savings (excluding dividends)			Dividends	
Income chargeable at starting rate	Income chargeable at lower savings rate	Income chargeable at higher savings rate	Income chargeable at ordinary dividend rate	Income chargeable at upper dividend rate
from TC76 TC108 £	from TC78 TC109 £	from TC80 TC110 £	from TC87 TC111 £	from TC88 TC112 £
total of column above TC121 £	total of column above TC122 £	total of column above TC123 £	total of column above TC124 £	total of column above TC125 £
TC121 x 10% TC129 £	TC122 x 20% TC130 £	TC123 x 40% TC131 £	TC124 x 10% TC132 £	TC125 x 32.5% TC133 £

Optional cross check (box TC134 should equal box TC56)

total of boxes TC118 to TC125 TC134 £

total of boxes TC126 to TC133 TC135 £

continued over

Tax Credit Relief Working Sheet (TCRWS) - continued

Now calculate tax due

If any box on this page is negative, substitute zero ('0'), unless otherwise stated.

Income Tax due			from TC135 **TC136** £
Top Slicing Relief		from C7.29 **TC137** £	
Venture Capital Trusts and Enterprise Investment Schemes	from box C11.7 **TC138** £	TC138 x 20% **TC139** £	
Loan interest payments	from box C11.1 **TC140** £	TC140 x 10% **TC141** £	
Allowances given in terms of tax	from box C11.12 **TC142** £	TC142 x 10% **TC143** £	
Maintenance and alimony	from box C11.4 **TC144** £	TC144 x 10% **TC145** £	

Notional tax on:

• Chargeable Event Gains and FSAVCs	from TC55 **TC146** £	TC146 x 23% **TC147** £	
• other income		from C15.24 **TC148** £	
Total Notional Tax			TC147 + TC148 **TC149** £
			total of column above **TC150** £ · TC136 *minus* TC150 **TC151** £

Income Tax due before tax credit relief **TC152** £

*(box C11.30 minus total of boxes C11.15, C11.17, C11.19, C11.21, C11.23, C11.27, **or** box TC151 of previous TCRWS)*

Income Tax due on the item of income in boxes TC9 to TC15 on pages FN16 and FN17 — TC152 *minus* TC151 **TC153** £

Foreign tax paid on the item of income in boxes TC9 to TC15 on pages FN16 and FN17 **TC154** £

Tax Credit Relief in respect of the item of income in boxes TC9 to TC15 on pages FN16 and FN17 — lower of TC153 and TC154 **TC155** £

Now complete another TCRWS for your next item of income.

Otherwise add up the figures in box TC155 in each TCRWS and put the total in box 6.9 in your Foreign Pages.

Countries with Double Taxation Agreements with the UK – rates of withholding tax

This Table shows the maximum rates of tax those countries with a Double Taxation Agreement with the UK can charge a UK resident on payments of dividends, interest, royalties and management/technical fees. **The Table only includes agreements which are at present in force.**

Abbreviations: NA = No Article. The foreign country can therefore tax the income in accordance with its own domestic law.
S = There is a 'subject to tax' condition.

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/ technical fees	Notes
Antigua	Zero (S)	NA	Zero (S)	NA	
Argentina	15%	12%	15% (Note 1)	NA	1. 3% on news. 5% on copyright royalties other than for films and television. 10% on payments for the use of industrial or scientific equipment
Australia	15% (Note 1)	10%	10%	NA	1. Only unfranked dividends carry withholding tax
Austria	15%	Zero	Zero	NA	
Azerbaijan	15%	10%	10% (Note 1)	NA	1. 5% on copyright royalties
Bangladesh	15%	10%	10%	NA	
Barbados	Zero (S)	15% (S)	Zero (S) (Note 1)	NA	1. 15% on cinematograph and television royalties.
Belgium	10%	15% (Note 1)	Zero	NA	1. With effect from 1 January 1999 (previously 13.39%)
Belarus*	Zero	Zero	Zero	NA	
Belize	Zero (S)	NA	Zero (S)	NA	
Bolivia	15%	15%	15%	NA	
Botswana	15%	15%	15%	NA	
Brunei	Zero (S)	NA	Zero (S)	NA	
Bulgaria	10%	Zero	Zero	NA	
Canada	15%	10% (Note 1)	10% (Note 2)	NA	1. Zero if loan guaranteed by UK ECGD or Canadian EDC or if Canadian government or local authority bond. 2. Zero if copyright royalties (excluding films and television).
China	10%	10% (Note 1)	10% (Note 2)	10% (Note 3)	1. Exempt in certain circumstances (Art 11(3)). 2. Payments for the use of, or right to use, any industrial, commercial or scientific equipment 10% of 70% of the gross amount of the royalty. 3. On 70% of gross fees.
Croatia †	15%	10%	10%	NA	
Cyprus	Zero	10%	Zero (Note 1)	NA	1. 5% on film and television royalties.
Czech Republic	15%	Zero	10% (Note 1)	NA	1. Zero on copyright royalties
Denmark	15%	Zero	Zero	NA	

* UK/Soviet Union agreement applies

† UK/Yugoslavia agreement applies

continued over

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/ technical fees	Notes
Egypt	20%	15% (Note 1)	15%	NA	1. Exempt if loan guaranteed by UK ECGD.
Estonia	15%	10% (Note 1)	10% (Note 2)	NA	1. Exempt in certain circumstances (see Art 11(3)) 2. 5% on royalties for the use of industrial, commercial or scientific equipment (Art 12(2)(6))
Falkland Islands	(Note 1)	Nil (Note 2)	Zero	15%	1. Ask to see the Double Taxation Manual at your Inland Revenue office. 2. Exempt if loan guaranteed by UK ECGD.
Fiji	15%	10%	15% (Note 1)	15%	1. Zero if copyright royalties (excluding films and television).
Finland	5%	Zero	Zero	NA	
France	15% (Note 1)	Zero	Zero	NA	1. Ask to see the Double Taxation Manual, DT7259, at your Inland Revenue office, for application of subject to tax condition to payment of 'avoir fiscal'
Gambia	Zero (S)	15% (S)	12½% (S)	15% (S)	
Germany	15% (S)	Zero (S)	Zero (S)	NA	
Ghana	15% (S)	12.5% (S)	Zero (S)	NA	
Greece	NA	Zero (S)	Zero (S)	NA	
Grenada	Zero (S)	NA	Zero (S)	NA	
Guernsey	NA	NA	NA	NA	
Guyana	15%	15% (S) (Note 1)	10%	10% (Note 2)	1. Exempt if loan guaranteed by UK ECGD. 2. A smaller percentage where Guyana Minister of Finance applies Section 39(10) of the Income Tax Act, Chapter 81:01.
Hungary	15%	Zero	Zero	NA	
Iceland	15%	Zero	Zero	NA	
India	15%	15%	20% (Note 1)	NA (Note 1)	1. Article includes fees for technical services. For first five years of Convention, 15% where payer is Government. 15% for all royalties, etc after the five years. Some forms of royalty, 10% throughout.
Indonesia	15%	10% (S)	15% (Note 1)	NA	1. 10% on payments for the use of industrial, commercial or scientific equipment. (Art 12(2)(6)).
Irish Republic	15% (Note 1)	Zero	Zero	NA	1. Exempt where paid to a charity, superannuation fund or insurance companies in respect of pension fund business.
Isle of Man	NA	NA	NA	NA	
Israel	15% (S)	15% (S)	15% (S)	NA	
Italy	15% (S)	10%	8%	NA	

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/ technical fees	Notes
Ivory Coast	15% (Note 1)	15%	10%	10%	1. 18% where paid by an Ivory Coast company exempt from tax or paying at less than normal rates on profits.
Jamaica	15%	12½% (Note 1)	10%	12½%	1. Exempt if loan guaranteed by UK ECGD.
Japan	15%	10%	10%	NA	
Jersey	NA	NA	NA	NA	
Kazakhstan	15%	10% (Note 1)	10% (Note 2)	NA	1. Exempt if loan guaranteed by UK ECGD. 2. Unless election is made for net profit basis.
Kenya	15% (S)	15% (S)	15% (S)	12½%	
Kiribati	Zero (S)	NA	Zero (S)	NA	
Korea	15%	5% (Note 1)	10% (Note 2)	NA	1. Exempt where loan is guaranteed by UK ECGD. 2. 2% on equipment leasing payments.
Latvia	15%	10% (Note 1)	10%	NA	1. Exempt if loan guaranteed by UK ECGD or Bank of England.
Lesotho	Zero (S)	NA	Zero (S)	NA	
Luxembourg	15%	Zero	5%	NA	
Macedonia*	15%	10%	10%	NA	
Malawi	Zero (S)	Zero (S)	Zero (S)	NA	
Malaysia	Zero (S)	15% (S) (Note 1)	15% (Note 2)	10%	1. Exempt if an approved loan (Art X(2)). 2. Exempt if an approved industrial royalty (Art X(2)).
Malta	(Note 1)	10% (S)	10% (S)	NA	1. Tax not to exceed that chargeable on the profits out of which the dividends are paid.
Mauritius	15%	No limitation (Note 1)	15% (S)	NA	1. Exempt when paid to UK banks.
Mexico	Zero	15% (Note 1)	10%	NA	1. A lower rate or exemption will apply in certain circumstances (see Art 11(2)).
Mongolia	15%	10%	5%	NA	
Montserrat	Zero (S)	NA	Zero (S)	NA	
Morocco	25%	10%	10%	NA	
Myanmar (formerly Burma)	Zero (S)	NA	Zero (S)	NA	
Namibia	15%	20%	Exempt (S) (Note 1)	NA	1. Copyright royalties only. Other royalties: the lesser of 5% and one half of tax that would otherwise be charged.
Netherlands	15%	Zero	Zero	NA	
New Zealand	15%	10%	10%	NA	
Nigeria	15% (S)	12½% (S)	12½% (S)	NA	

** UK/Yugoslavia agreement applies*

continued over

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/ technical fees	Notes
Norway	15%	Zero	Zero	NA	
Pakistan	20% (Note 1)	15%	12½%	12½%	1. Ask to see the Double Taxation Manual, DT14956 and Art 10, at your Inland Revenue office.
Papua New Guinea	17%	10%	10%	10%	
Philippines	25%	15% (Note 1)	25% (Note 2)	NA	1. 10% where paid by a public issue bond etc. Exempt where loan is guaranteed by a UK government agency. 2. 15% on royalties for films, television or radio.
Poland	15%	Zero	10%	NA	
Portugal	15%	10% (S)	5% (S)	NA	
Romania	15%	10%	15% (Note 1)	12½% (Note 2)	1. 10% on copyright royalties. 2. Rate applies to commissions. Ask to see the Double Taxation Manual, DT16054. at your Inland Revenue office.
Russia	10%	Zero	Zero	NA	
St Christopher-Nevis (St Kitts)	Zero (S)	NA	Zero (S)	NA	
Sierra Leone	Zero (S)	NA	Zero (S)	NA	
Singapore	Zero (S)	15% (S) (Note 1)	15% (S) (Note 2)	NA	1. Exempt if an approved loan (Art 7A(2)). 2. Exempt if an approved royalty (Art 8(2)).
Slovak Republic	15%	Zero	10% (Note 1)	NA	1. Zero on copyright royalties (see Art 12(3)(6)).
Slovenia*	15%	10%	10%	NA	
Solomon Islands	Zero (S)	NA	Zero (S)	NA	
South Africa	15%	10% (S)	Zero (S)	NA	
Spain	15%	12%	10%	NA	
Sri Lanka	No limitation	10% (Note 1)	10% (Note 2)	NA	1. Only reduced to this rate where paid on loan, etc made after 21 June 1989. 2. Only reduced to this rate where rights are granted after 21 June 1989.
Sudan	15% (Note 1)	15% (S)	10% (S)	NA	1. Exempt if the dividends are exempt under Sudan law when paid to non-residents.
Swaziland	15%	NA	Exempt	NA	
Sweden	5% (Note 1)	Zero	Zero	NA	1. Also taxable in Sweden if the recipient is a Swedish national but a resident of the UK.
Switzerland	15%	Zero	Zero	NA	

* *UK/Yugoslavia agreement applies*

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/ technical fees	Notes
Thailand	20% (Note 1)	25% (Note 2)	5% (Note 3)	NA	1. Rate only applies to a dividend from a company carrying on an industrial undertaking 2. 10% if paid to a financial institution. 3. 15% on patent royalties.
Trinidad and Tobago	20%	10%	10% (Note 1)	10%	1. Copyright royalties are exempt.
Tunisia	20%	12%	15%	NA	
Turkey	20%	15%	10%	NA	
Tuvalu	Zero (S)	NA	Zero (S)	NA	
Uganda	15%	15%	Zero (S)	NA	
Ukraine	10% (S)	Zero (S)	Zero	NA	
United States of America	15%	Zero	Zero	NA	
Uzbekistan	10%	5%	5%	NA	
Venezuela	10%	5% (Note 1)	7%	NA	1. Exempt if paid on a loan guaranteed by UK ECGD.
Vietnam	15%	10% (S)	10% (S)	NA	
Yugoslavia	15%	10%	10%	NA	
Zambia	15% (S)	10% (S)	10% (S)	NA	
Zimbabwe	20% (S)	10% (S) (Note 1)	10% (S)	10% (S)	1. Exempt if paid on a loan guaranteed by UK ECGD.

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