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**HELP SHEETS**

Help Sheets giving more detailed information about particular tax rules for the Trust and Estate Foreign Pages are available from the Orderline.

- *IR250: Capital allowances and balancing charges in a rental business*
- *IR260: Overlap*
- *IR321: Gains on foreign life insurance policies*
- *IR390: Trusts and estates of deceased persons: foreign tax credit relief for capital gains*

**Filling in the Trust and Estate Foreign Pages**

Gather together the material you need, such as:

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

The notes in Part A tell you how to complete the Trust and Estate Foreign Pages. The Pages are divided into five sections.

- Page TF1 is for foreign savings (including income from offshore funds), which are taxable at the savings (20%) rate of tax or the dividend (10%) rate of tax (notes start on page TFN3)
- Page TF2 is for overseas
  - income from land and property
  - disposals of offshore funds
  - income from trusts or companies.

Also use it for foreign savings if the trust or estate is taxable on the remittance basis.
- Complete Page TF3 to claim foreign tax credit relief for foreign tax on
  - income included in the Trade or Partnership Pages, or boxes 9.29 to 9.31 on page 5, of the Trust and Estate Tax Return (see notes on page TFN11)
  - chargeable gains included in the Capital Gains Pages (see notes on page TFN12).
- Complete Pages TF4 and TF5 as appropriate for foreign let property.
  - Summarise the income on Page TF2 (notes start on page TFN5).

Pages TF1 to TF5 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 the trust or estate's UK tax bill. This is known as foreign tax credit relief.

**If you want to calculate the foreign tax credit relief yourself, or you are calculating the trust or estate's tax bill,** refer to Part B of these notes for guidance on how to do this.

**Part A - reporting the trust or estate's foreign income and claiming foreign tax credit relief****■ Arising basis**

Except in the special circumstances described below, the trust or estate's 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 the Trust or Estate's Foreign Pages. For overseas rental income this means the gross income minus allowable expenses. For all other income, it is simply gross income before tax.

**● Special circumstances**

Where trust income is payable to a beneficiary(ies) with an absolute interest in income (including a life tenant) or to an annuitant, the trustees' liability to UK Income Tax in respect of the share of income arising abroad payable to the beneficiary(ies) or annuitants is determined by reference to the residence (and, in appropriate cases, the ordinary residence or domicile) of the beneficiary(ies) or annuitants.

**Income arising abroad (apart from income arising in the Republic of Ireland)**

Where the above mentioned beneficiary(ies) or annuitant is not resident in the UK their share of trust income is not taxable on the trustee and should not be included in the Trust and Estate Tax Return. Where the beneficiary(ies) or annuitant is resident but not domiciled (or, being a Commonwealth or Republic of Ireland citizen, is not ordinarily resident) in the UK, the liability of the trustees is limited to so much of the beneficiary(ies) or annuitants share of the income arising abroad as is remitted to the UK.

**■ Joint savings and investments**

If the trust or estate had savings or investments held jointly with others, you should enter only the trust or estate's share of the income.

**■ Unremittable income**

If the trust has income arising outside the UK that it is unable to remit to the UK because of exchange controls or a shortage of foreign currency in the overseas country, then the trustees can claim that the unremittable income should not be taxed for 2002-03.

If you think this applies to the trust, read the note about 'Entering unremittable income' on page TFN3.

**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 2002-03. 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 converted 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 converted to sterling at the rate of exchange applicable at the time when the income arose.

Income taxable on the remittance basis should be converted to sterling at the rate of exchange applicable on the date of receipt in the UK.

Gains on foreign life insurance policies, life annuities and capital redemption policies should be calculated in the currency in which the policy or life annuity is denominated and the gain converted into sterling at the rate of exchange applicable at the time of the chargeable event (which may not be at the time the transaction occurred).

The trust or estate's Inland Revenue office will be able to provide assistance if you are unsure of the exchange rate to be applied.

**■ Foreign tax paid and foreign tax credit relief**

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

**Example 1**

The trust or estate received income of £1,000 on which foreign tax of £150 was withheld at source. If the income is taxable in the UK at 22% and you claim foreign tax credit relief, the net liability will be (£220 minus £150) = £70.

If you do not claim foreign tax credit relief, the liability will be: (£1,000 minus £150) = £850 x 22% = £187.00.

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

- relief is only due if the trust is a UK resident (special rules apply in certain circumstances if the trust or estate is a resident of the Isle of Man or the Channel Islands - ask the Inland Revenue office or your tax adviser for help)
- the income must arise in the foreign country and be properly taxable under the foreign country's law
- where a Double Taxation Agreement (see page TFN3) 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 the trust or estate's tax consult the list of the UK's Double Taxation Agreements on pages TFN18 to TFN22 of these Notes. It shows the treaty rates of withholding tax that 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 the trust or estate. If the trust or estate has paid foreign tax at a higher rate than that shown for the particular type of income, foreign 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.

- 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, contact the trust or estate's Inland Revenue office
- the amount of foreign 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 foreign tax credit relief for any foreign tax paid on a particular item of the trust or estate's 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.

Notes on **TRUST AND ESTATE FOREIGN**

Tax deducted from dividends received from the countries listed below is not eligible for foreign 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 taxable in the UK (see Example 1 on page TFN2).

### ■ 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 TF1 and TF2

Give details of overseas:

- interest and other income from savings
- dividends
- income from land and property
- income from trusts or companies abroad
- chargeable event gains.

(Page TF3 asks for information about any income or gains included elsewhere in the Trust and Estate Tax Return and which may 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, dividends from more than one overseas company) must be entered separately. **But see the next column for how to deal with unremittable income.**

For each item the example 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 sections dealing with interest and other savings show the nature of the income received 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 TFN18 sets out maximum rates that apply to some types of income.)
- **in column E**, enter the amount of taxable income. The notes on pages TFN4 and TFN5 explain how to work this out
- tick the box in column E if the trust or estate wants to claim foreign tax credit relief for the item.

### ● Entering unremittable income

For each item of income (excluding income from land and property abroad, see page TFN6) not remittable to the UK in the tax year 2002-03:

- **in column A**, enter the country in which the item of income arose and tick the box
- **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

If the trust or estate is taxable on the remittance basis, include its foreign savings on Page TF2 (not Page TF1).

### ■ Interest and other income from overseas savings

#### ● Filling in the columns

#### column A

Enter the name of the country where the trust or estate's income arose and in which tax was withheld when the interest was paid and add [I] or [O] as appropriate, to indicate whether the income was interest or other income (see the example on page TFN3).

#### columns B to D

Treat each source of interest (including, for example, different accounts with the same bank) separately and enter details of each on a separate line.

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

	Country <b>A</b> <small>tick box if income is unremittable</small>	Amount before tax <b>B</b>	Foreign tax <b>D</b>	Amount chargeable <b>E</b> <small>tick box to claim foreign tax credit relief</small>
■ Interest and other savings income <small>-see Notes, page TFN4</small>	USA [O]	£ 120	£ 18	£ 120 ✓
	Germany [O]	£ 60	£ 9	£ 60 ✓
	Germany [O]	£ 500	£ 75	£ 500 ✓
	Belgium [I]	£ 120	£ 18	£ 120 ✓

Notes on **TRUST AND ESTATE FOREIGN**

## ● Interest from overseas unit trusts and other investment funds

The information you need to put in these columns will be shown on the trust or estate's unit trust or fund voucher. If you do not have a tax voucher, ask the unit trust or fund administrator for one. Where the income of the unit trust or fund is automatically reinvested in the fund, you may still have to enter the appropriate income arising to you and any tax deducted.

## ● Interest from other overseas sources

In these columns enter the amounts of interest the trust or estate 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 the trust or estate's behalf, this will normally be shown on a certificate of tax paid.

## ● Other income from overseas savings

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

- gains on life assurance policies, life annuities and capital redemption policies (see page TFN9)
- income from land and property abroad (see page TFN5).

**column E**

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

If you are claiming foreign tax credit relief for the trust or estate, 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.

**box 4.1**

Add up the figures in Column E and enter the total in box 4.1.

■ *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 the 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 the trust or estate accepted cash from the foreign company under an option given to receive cash instead of shares, the cash is taxable and should be included on Page TF1.

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

## ● Filling in the columns

**column A**

Enter the name of the country where the trust or estate's income arose and in which tax has been withheld at source when the dividend was paid.

**columns B to D**

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

Enter the amounts of the gross dividend received and the foreign tax paid in the year ended 5 April 2003 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 the trust or estate's unit trust or fund voucher. Where the income of the unit trust or fund is automatically reinvested in the fund, you may still have to enter the appropriate income arising to you and any tax deducted. If you do not have a tax voucher ask the fund administrator for one.

## ● Dividends from other overseas sources

The information you need to complete these columns will be shown on your dividend voucher.

If you are a UK resident receiving dividends from France or Italy 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. Claim forms to allow you to claim these foreign tax credits are available from:

Centre for Non-Residents  
Fitz Roy House  
PO Box 46  
Nottingham NG2 1BD  
Telephone 0845 070 0040.

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 2**

Dividend from Italy	£10,000
Italian tax credit	<u>£ 5,625</u>
	£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 the Inland Revenue office or your tax adviser for help.

Notes on **TRUST AND ESTATE FOREIGN****column E**

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

If you are claiming foreign 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.

**box 4.2**

Add up the figures in column E and enter the total in box 4.2.

**Income from land and property abroad**

How you fill in Page TF4 for overseas land and property depends on whether the trust or estate is taxable on the **remittance basis**, or the **arising basis**.

● Filling in the columns on Page TF2

● Remittance basis

**column A**

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

**column B**

Enter in column B the full amount of income from 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 not all the trust or estate's overseas rental income was brought to the UK, any foreign tax paid on the total letting income should be apportioned accordingly.

**Example 3**

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

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

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 foreign tax credit relief (see the notes on page TFN2), 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 foreign 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 the trust or estate is not taxable on the remittance basis, then the arising basis applies (see the notes on page TFN2) and it is taxable on the full amount of its overseas rental income for the year ended 5 April 2003 whether or not the income is brought to the UK.

Before you fill in columns A to E on Page TF2, complete Pages TF4 and TF5. Fill in Page TF4 if there is only one overseas let property or if there is more than one but they are all in the same foreign country, or if there is more than one but there has been no foreign tax deducted from the income.

Otherwise fill in a copy of Page TF4 for each overseas let property. Either take copies of Page TF4 before you start filling it in or ask the Orderline for extra copies of the Foreign Pages. Please put the trust or estate's name and tax reference next to the property address box on each copy of Page TF4 you fill in.

## ■ Filling in Page TF4

First, enter the full address of the property, or if Page TF4 is to be used for more than one let property, the address of the first property. Use the 'Additional information' box, box 4.39 on Page TF5 for the address of the other properties.

■ **Income****box 4.11**

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

Enter in box 4.11 the full amount of the receipts from the property in question, but excluding **any chargeable premiums**. These go straight onto Page TF2. See the notes below.

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

**Include** any rent received (or to be received) after 5 April 2003, that is payment for the year ended 5 April 2003 (because it is paid in arrears). **Exclude** any rent received that relates to any period after 5 April 2003 (because it is paid in advance). For example, if the tenant is required to pay rent in advance, the proportion paid that is related to the period after 5 April 2003 should be excluded. It must be included in the income for the year to which it relates.

**Make sure you do not count money the trust or estate 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 the trust or estate's 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 the property is let furnished, any sums that a tenant may pay for the use of furniture will be taxable as income from the trust or estate's business. All this income should be added together and entered in box 4.11.

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 the Inland Revenue office or your 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.

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

Notes on **TRUST AND ESTATE FOREIGN**

Use the Working Sheet below to calculate the taxable amount.

**Working Sheet: chargeable premiums - leases up to 50 years**

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

Copy the figure in box E to the 'Chargeable premiums' row in column B on Page TF2.

If the trust or estate has paid foreign tax on the premium, apportion the foreign tax as appropriate and enter the amount attributable to the part of the premium which 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 foreign 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 received constitutes a premium, ask the Inland Revenue office or your tax adviser for help.

**Reverse premiums**

If you receive a payment or other benefit as an inducement to take an interest in any property, other than your main residence, for letting, the receipt will be chargeable as income from property. Include the receipt in box 4.11. If you receive an inducement in respect of premises from which you are to trade, see the note for box 1.91 on page TTN6 of the Notes on Trust and Estate Trade.

If you are in any doubt about the proper tax treatment of a reverse premium, ask your Inland Revenue office or tax adviser.

**box 4.11A** Tick box 4.11A if box 4.11 contains income from more than one overseas let property.

**box 4.11B** Tick box 4.11B if box 4.11 contains income that is unremittable. Fill in a separate Page TF4 for each property producing unremittable income. Exclude the box 4.26 or box 4.27 figure from the 'Taxable profit or loss' column on Page TF5.

**Expenses**

If 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 4.17.

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

There are some examples of expenses you cannot deduct and those you may oppose.

**Non-allowable expenses:**

- personal expenses (see the notes about box 4.20 on page TFN7)
- capital costs, such as expenses relating to the purchase of the land or property the trust or estate intends to let, or for the cost of purchasing machinery, furnishings or furniture
- any loss made on the sale of a property.

**Allowable expenses:**

- in general any costs the trust or estate incurs for the sole purpose of earning business profits
- the trust or estate 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 4.12** If the trust or estate holds a leasehold interest in a property that is let to someone else, any rent the trust or estate pays under the lease can be deducted in working out the 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 4.12 any expenses that the trust or estate is 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 4.11 any income the trust or estate receives 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 private belongings are not, however, allowable expenses.

- Repairs, maintenance and renewals

**box 4.13****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.

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 they amount to the reconstruction of the property, or
- there has been a change in the use of the property that 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 (see the notes on page TFN7) are not claimed. 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. Deduct from the replacement cost any sum the trust or estate has received for the item scrapped or sold. Also deduct any part of the replacement cost which represents an improvement or addition to the original item.

Notes on **TRUST AND ESTATE FOREIGN**

Enter in box 4.13 the total of any such expenses on repairs, maintenance and renewals incurred in 2002-03 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 the Inland Revenue office or your tax adviser.

- Finance charges including interest

**box 4.14**

Enter in box 4.14 any expenses incurred in obtaining a loan to buy the property that the trust or estate lets, together with any interest payable on such a loan for 2002-03.

If the whole of the property was not let, or if the property was not available for letting for the whole of the year, apportion the interest payable. Only the amount that is attributable to the letting of the property should be shown in box 4.14.

- Legal and professional costs

**box 4.15**

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 incurred by the trust or estate on the renewal of a lease, if the lease is for less than 50 years
- professional fees in drawing up accounts
- professional fees incurred evicting an 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 the Inland Revenue office or your tax adviser.

- Cost of services provided including wages

**box 4.16**

If, in addition to letting the property, the trust or estate provides services to a tenant, such as gardening, portage, 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 4.16 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 4.11.

- Other expenses

**box 4.17**

Enter in box 4.17 all expenditure incurred wholly and exclusively for the purposes of the letting that has not already been included at boxes 4.12 to 4.16. Examples include the cost of rent collection, advertising for tenants, stationery, telephone calls and other miscellaneous expenditure.

**Personal expenditure is not allowable.** If money is spent 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 4.17 and deduct in box 4.20 the proportion of the cost which represents private use.

■ **Tax adjustments to net profit (or loss)**

- Private use proportions

**box 4.20**

Personal and private expenditure is not allowable as a deduction. If you spend money on something that 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 4.12 to 4.17, **or**
- enter the full amount of the expenses in those boxes and deduct in box 4.20 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 4.12, you should add back one-third of that amount in box 4.20.

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

- Capital allowances and balancing charges

**boxes 4.21 and 4.23**

The cost of buying, altering, building, installing or improving fixed assets, or depreciation or losses which arise when the trust or estate sells or otherwise disposes of them, are not allowable deductions in calculating rental income.

Instead you may sometimes claim capital allowances in box 4.23. These **reduce** a profit or **increase** a loss. An adjustment, known as a 'balancing charge', may arise when the trust or estate sells an item, gives it away or simply stops using it in its letting business. Enter the amount of a balancing charge in box 4.21. This will **increase** profits or **reduce** losses.

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

**box 4.23A**

Tick box 4.23A if box 4.23 includes enhanced capital allowances for environmentally friendly expenditure. See *Help Sheet 250: Capital allowances and balancing charges in a rental business*.

- 10% Wear and tear

**box 4.24**

If the trust or estate lets any **furnished** residential accommodation (such as a house or flat), 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 TFN6 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 the trust or estate (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.

Notes on **TRUST AND ESTATE FOREIGN**

The trust or estate can claim capital allowances if it lets furnished, but not residential, accommodation. If capital allowances can be claimed, you cannot claim the 10% wear and tear allowance.

**boxes 4.26 and 4.27***If you filled in one Page TF4*

Enter any net profit in box 4.26. If there is a net loss, enter '0' in box 4.26 and the amount of the loss in box 4.27. Go on to Page TF5.

*If you filled in more than one Page TF4*

Enter any net profit in box 4.26. If there is a net loss, enter '0' in box 4.26 and the amount of the loss in box 4.27. Go on to Page TF5. If you completed one Page TF4 fill in boxes 4.28 to 4.32. If you completed more than one Page TF4 provide details about each let property, using a separate line of the grid for each, and then fill in boxes 4.33 to 4.38.

**Filling in Page TF5**

- Taxable profit for the year if you filled in only one Page TF4

**boxes 4.28 and 4.29**

If you completed only one Page TF4 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 2002 may be deducted from, or added to, the overall profit or loss, respectively.

**box 4.30**

If box 4.28 is a profit take away any losses brought forward in box 4.29 and enter the result in box 4.30. Copy box 4.30 to column B on Page TF2.

- Losses to carry forward

**box 4.31**

If you entered '0' in box 4.26 because expenses exceeded rental income, add the figure in box 4.27 to any losses brought forward in box 4.29 and enter the total in box 4.31. Make a note of the amount. You will need this figure when completing next year's Trust and Estate Tax Return.

- Foreign tax paid on the rental income

**box 4.32**

If you have paid foreign tax enter the amount of foreign tax paid in box 4.32. Copy box 4.32 to column D on Page TF2 and fill in columns A and E as appropriate.

- Filling in the columns on Page TF2

**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 4.30.

**column C**

Enter in column C any UK tax deducted.

**column D**

Enter the amount of any foreign tax paid in respect of income chargeable to UK tax from box 4.32.

**column E**

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

- Taxable profit for the year if you filled in more than one Page TF4

**boxes 4.33 to 4.35**

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 2002 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 foreign 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, foreign tax credit relief is claimed, separate computations of profits and losses for each property will be required.

For the purposes of calculating foreign 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

Profit (loss)	Rate of foreign tax	Tax deducted
Country A 5,000	10%	500
Country B (2,000)		
Country C 2,000	30%	600
<b>Total foreign tax</b>		<b>1,100</b>

Assuming that all of the income is wholly chargeable at 22% the Income Tax due will be as follows:

**Country A**

£5,000 @ 22% = £1,100

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 @ 22% = £660

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

**Country C**

£2,000 @ 22% = £440

Although foreign tax of £600 has been paid, the amount available for foreign tax credit relief is limited to the amount of UK tax charged on the same income, that is £440.

**Summary**

Income Tax due	£660 + £440	=	£1,100
Foreign tax credit relief	£500 + £440	=	£940
Net UK tax payable		=	£160

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

Notes on **TRUST AND ESTATE FOREIGN**

Further guidance may be found in leaflet *IR150: Taxation of rents. A guide to property income*, available from the Orderline. If the trust is liable at the rate applicable to trusts (34%) rework the example to ensure you claim the losses in the most favourable way.

If box 4.33 is a profit take off any losses brought forward in box 4.34 and enter the result in box 4.35. Copy box 4.35 to column B on Page TF2.

- Foreign tax paid on rental income

**box 4.36** Add up the foreign tax deducted and enter the total in box 4.36.

**box 4.37** After allocating any losses in the most favourable way add up the amounts chargeable and enter the total in box 4.37.

**box 4.38** If the overall result is a loss, enter the loss in box 4.38. Keep a note of the amount because you will need it for next year's Tax Return.

- Filling in the columns on Page TF2

**column A** Enter 'see Page TF5'.

**column B** Enter in column B the overall amount of profit for the year from box 4.35.

**column C** Enter in column C any UK tax deducted.

**column D** Enter the amount of any foreign tax paid in respect of income subject to UK tax from box 4.36.

**column E** If you are **not** claiming foreign tax credit relief, enter the amount in column B *minus* any foreign tax entered in column D. If you are claiming foreign tax credit relief, copy box 4.37 to column E. Tick the box in column E to claim foreign tax credit relief.

### Other overseas income

#### Disposals of holdings in offshore funds

**box 4.5** An offshore fund is:

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

in which the trust or estate holds a 'material interest'. Interest in an offshore fund is 'material' if, at the time the trust or estate acquired it, it might reasonably expect to be able to realise the interest, 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.

Any income arising from the offshore fund should be returned on Page TF1 or page 4 of the Trust and Estate Tax Return, as appropriate. The voucher or fund manager will give relevant details about the type of income arising.

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, ask the Orderline for the Trust and Estate Capital Gains Pages.

'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 the offshore fund qualifies for distributor status, look at the latest annual report and accounts of the fund or ask the fund manager. Enter the amount of income in box 4.5.

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 included in box 9.38 on page 5 of the Trust and Estate Tax Return.**

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 the trust or estate by its fund manager and must be **entered in box 9.38 on page 5 of the Trust and Estate Return.**

#### Income received from non resident trusts and income received by trusts or companies abroad

**box 4.5** If the trustees have an absolute entitlement to the income from a non-UK resident trust, only the foreign source income should be entered here. UK source income should be entered on the Tax Return as though the income arose directly to you. For example, dividend income from a UK company should be entered in boxes 9.15 to 9.17 on page 5 of the Trust and Estate Tax Return. If the trustees have received a discretionary payment from the non-UK resident trust, enter all of the income in box 4.5.

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

**boxes 4.6 to 4.8** Boxes 4.6 to 4.8 are for gains on foreign life insurance policies, foreign life annuities and foreign capital redemption policies.

If during the year any of the following applied in connection with a foreign life insurance policy, life annuity or capital redemption policy held by the trust or estate then there may be a gain to include in boxes 4.6 to 4.8:

- cash or other benefits were received from the policy or life annuity by part-withdrawal or on a surrender, maturity or death
- the whole or part of the policy or life annuity was sold
- a loan was made to the personal representatives or trustees or, at their direction, to someone else, either by the insurer or by arrangement with the insurer
- the policy or life annuity was a Personal Portfolio Bond in the year (even if the insurer has not paid cash or other benefits during the year in connection with that bond)

In these notes 'gains' are chargeable event gains which are taxable as income. Insurers sometimes call these 'chargeable gains' but they are **not** capital gains. Capital losses and other reliefs allowable in calculating capital gains cannot be set against them. These gains should not be included on the Trust and Estate Capital Gains Tax Pages.

Under arrangements made with us, if the foreign insurance company knows (as it usually will) that something has happened to give rise to a chargeable event gain then it may have told us the amount of the benefits paid or the amount of the gain. The insurer may also have sent you a certificate or statement giving you this information.

**The purpose of these notes is to help you decide whether there is a gain, whether it needs to be entered on the Trust and Estate Return Foreign Pages and if so, what to include in the Return.**

Notes on **TRUST AND ESTATE FOREIGN**

There is further guidance about what are foreign insurance policies and contracts or Personal Portfolio Bonds both below and in *Help Sheet IR 321: Gains on Foreign Life Insurance Policies*. The Help Sheet is available from the Orderline and on the internet at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk).

**Is the policy a 'foreign policy'?**

A foreign policy is normally one issued by an insurer from outside the UK.

A UK insurer may also issue a foreign policy as part of its 'Overseas Life Assurance Business'. This is a type of policy sold by a UK insurer to a person who, at the time it was taken out, was residing outside the UK. Gains from this type of policy are treated as gains from a foreign policy if the policy was taken out **on or after 17 March 1998**. However, gains from Overseas Life Assurance Business policies which were made **before 17 March 1998** are treated as UK policies and you should enter details of these gains in boxes 9.29 to 9.31 of the Trust and Estate Return. If you think a gain might have been made on an Overseas Life Assurance Business policy made on or after 17 March 1998, contact your insurer to confirm the position.

**Does the gain need to be included on the Trust and Estate Return?**

A gain may be taxable on some person other than the trustees or the personal representatives. To determine whether a gain needs to be included on the Trust and Estate Return Foreign Pages go below to the section headed 'Personal representatives' or the section headed 'Trustees' as appropriate.

**Personal representatives**

Many policies and life annuities terminate as a result of the death of their beneficial owner. If so, the gain is treated as income of the deceased taxpayer arising immediately before death. Such a gain arising on death is also treated as income of the deceased taxpayer if the policy is held in a trust that the deceased created or contributed to. The gain is also treated as income of the deceased taxpayer where the policy held in trust continues to run after death and is surrendered or matures, after death but before the start of the next tax year on the following 6 April.

However, where the foreign life insurance policy, foreign life annuity or foreign capital redemption policy

- continues to run after death **and**
- is not held in trust

the gain treated as arising in connection with the continuing policy or annuity is treated as income of the Estate when it is surrendered or sold.

Most gains on foreign policies are **not** treated as having been taxed at the basic rate. Enter details of such gains in box 4.6. There is guidance in these Notes below and in *Help Sheet IR 321: Gains on Foreign Life Insurance Policies* (available from the Orderline and on the internet at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)) about when exceptionally a gain on a foreign policy is treated as having suffered basic rate tax.

**Trustees**

If the rights under a policy or life annuity are held in trust, any gain is usually treated as income of the person who created the trust, not of the trust itself. **If this is the case, you should send a copy of any certificate reporting the chargeable event gain to this person.**

The gain will be treated as income of the trustees if the trust or trusts were created by:

- an individual who is not resident in the UK or dead at the time of the chargeable event or
- a company or other entity that is non-resident, has been dissolved, wound up or has otherwise come to an end.

If any of these apply, the gain is deemed to be income of trustees resident in the UK, including where the rights under a policy or life annuity are held as security for a debt owed by UK trustees. There are two exceptions to this rule. They are described below. If either of the exceptions applies, trustees **do not** need to include the gain made on the foreign life insurance policy, foreign life annuity or foreign capital redemption policy on the foreign pages of the Trust and Estate Tax Return. Where a gain is deemed to be income of UK trustees, it is taxable at the rate applicable to trusts.

The first exception is where the trust is a bare trust. A gain on a foreign policy or life annuity held in a bare trust is treated as income of the beneficiary of the trust, unless the beneficiary is a minor, and should be included in the pages of the beneficiary's Tax Return for chargeable event gains – boxes 6.6 to 6.8 for foreign policies and life annuities. **You should send copies of any certificates which you have received reporting such gains to the relevant beneficiary.**

The second exception is where:

- the foreign policy or life annuity was made before 17 March 1998 **and**
- it has not been 'enhanced' on or after 17 March 1998 by paying further non-contractual premiums or in any other way, **and**
- the trust or trusts were created by an individual who died before 17 March 1998, or if created by more than one person, at least one of those persons was an individual who died before this date.

**Completion of boxes 4.6 to 4.8**

If a certificate has been received showing the benefits paid or chargeable event gain to be treated as income of the personal representatives or trustees then that will assist you in completing these boxes.

You should enter the whole amount of the gains on the return. There is guidance on how to calculate the gain in all common circumstances, if you need it, in *Help Sheet IR321: Gains on Foreign life insurance policies*, which is available from the Orderline or on the internet at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk).

A Personal Portfolio Bond is treated as giving rise to an annual gain although the insurer has not paid any benefits and none of the policy has been sold. A Personal Portfolio Bond is a life insurance policy, life annuity or capital redemption policy where the benefits payable are determined by the value of property personal to the policyholder and chosen directly or indirectly by the policyholder. If in doubt, **ask your insurer to tell you what sort of policy or annuity you have, and whether there has been a chargeable event and a gain.** There is further guidance about these in *Helpsheet IR321*.

**Box 4.6 – no tax treated as paid on the gain**

Most gains from foreign policies and life annuities are taxable in full, even if foreign tax has been paid by your insurer. Where, as will most commonly be the case, no tax is treated as having been paid on the gain, trustees and personal representatives should enter the amount of the gain in box 4.6.

**Boxes 4.7 and 4.8 – tax treated as paid on the gain**

In rare cases, tax may be treated as having been paid on gains from foreign policies or life annuities. If you think that the gain may be entitled to have tax treated as paid on it, you should refer to *Helpsheet IR 321*. If, exceptionally, tax is treated as having been paid then trustees should enter the gain in box 4.8 and the tax treated as paid in box 4.7. The tax treated as paid is 22% of the amount in box 4.8. Personal representatives have no further liability to tax on such gains and should not make any entry for them in boxes 4.6, 4.7 and 4.8.

Notes on **TRUST AND ESTATE FOREIGN**

The rules for completing boxes 4.6 to 4.8 of the Return may be different if the gain arises in connection with:

- a foreign life policy taken out on or before 17 November 1983 and not 'enhanced' since that date or
- a capital redemption policy taken out on or before 22 February 1984 and not 'enhanced' since that date.

If you have one of these types of policy, *Help Sheet IR321: Gains on Foreign Life Insurance Policies* contains more information about what entries to make on the Trust and Estate Foreign Pages.

**Multiple gains**

If in your capacity as personal representatives or trustees there is more than one gain to include on the Trust and Estate Return Foreign Pages, add together the amounts of the gain and of the tax treated as paid and enter the totals for each in boxes 4.6 to 4.8 as appropriate according to the guidance above.

**General guidance for trustees and personal representatives**

Not all payments from, or assignments of, foreign policies or other contracts give rise to gains. There is likely to be no gain in particular, but not exclusively, where:

- a payment has been received from a 'qualifying' life insurance policies (most foreign policies are not qualifying policies but there is further guidance on this in *Help Sheet IR 321*) or
- a payment has been received from a pension annuity or
- a payment has been received from a policy for which a single premium was paid and the payment received is 5% or less of the premium.

*Help Sheet IR321: Gains on Foreign life insurance policies* contains more information and general guidance about how gains are taxed. The Help Sheet also explains how the rules apply to a trust created by more than one person and says more about 'enhancements'. It is available from the Orderline and on the internet at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk).

**Filling in Page TF3**

The entries you make on Page TF3 are for the purpose of calculating foreign tax credit relief (see page TFN2), with one exception. Please read the note for box 4.9 on page TFN12.

This section allows you to calculate foreign tax credit relief. Only fill in Page TF3 if you have completed the Trust and Estate Pages for:

- Trade, or
- Partnerships, or
- Capital gains, or
- boxes 9.29 to 9.31 on page 5 of the Trust and Estate Tax Return - Other income,

**and** the trust or estate has paid foreign tax on that income or those gains, **and** you want to claim foreign tax credit relief for the foreign tax. Remember you cannot claim foreign tax credit relief for any foreign tax deducted when calculating the taxable amount of any of the trust or estate's income (or gains).

**Foreign tax credit relief for foreign tax paid on trade, partnership and other income**

For income from membership of Lloyd's please see page TLUN10 of the Notes on Trusts and Estate Lloyd's Underwriters for guidance on completing this part of the Trust and Estate Foreign Pages.

**column A**

Enter the name of the country where the trust or estate's 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 the trust or estate carried on a trade, profession or vocation in the UK, and the gross receipts of the business include income on which it has 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 foreign tax credit relief**

If the trust or estate earned profits from a trade, profession or vocation in 2002-03 and its basis period overlaps with the basis period for 2001-02, you may be able to claim foreign tax credit relief in 2002-03 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 the tax liability for 2001-02.

**Example 4**

If the business started on 1 October 2001 and the trust or estate's first account is for the 12 months to 30 September 2002, the basis periods are:

2001-02	1 October 2001 to 5 April 2002
2002-03	1 October 2001 to 30 September 2002

The period of overlap is 1 October 2001 to 5 April 2002 (six months). So if the profit of the 12 months to 30 September 2002 is £12,000, the 'overlap profit' is ( $\frac{1}{2} \times £12,000$ ) £6,000 (over six months). This is the same as the assessable amount for 2001-02.

Suppose the profits for the 12 months to 30 September 2002 include overseas profits of £4,000 on which the trust or estate has paid foreign tax of £1,500. The total foreign tax available for foreign tax credit relief in the two years 2001-02 and 2002-03 will be:

12 months to 30 September 2002	£1,500
+ overlap period ( $\frac{1}{2} \times £1,500$ )	<u>£750</u>
	£2,250

The amount eligible for foreign tax credit relief in 2002-03 is £2,250, *minus* the amount of foreign tax credit relief allowed for the overlap profit in 2001-02. So, if £1,000 relief was allowed in 2001-02, £1,250 will be available for relief in 2002-03.

If the basis periods for 2001-02 and 2002-03 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 TF3.

**Overlap relief and foreign tax credit relief**

Overlap profits which arose in an earlier year can be deducted as 'overlap relief' in working out taxable business profits for 2002-03 if either:

- the trust or estate sold or closed down the business in 2002-03, or
- following a change of accounting date, the basis period for 2002-03 is more than 12 months.

If the trust or estate is claiming overlap relief for 2002-03 and the overlap profits available include profits for which foreign tax credit relief for foreign tax paid was allowed in an earlier year, all or part of that foreign tax credit relief is recoverable in 2002-03.

The amount to be recovered is the amount of additional foreign tax credit relief that was allowed in earlier years in respect of the overlap profits deducted as overlap relief in 2002-03.

**Example 5**

There are overlap profits of £5,000 available that had been subject to foreign tax of £1,300.

In the two years when the overlap profits were taxable, a total of £1,950 foreign tax credit relief (that is, additional foreign 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 2002-03, half of the additional foreign tax credit relief (£<sup>650</sup>/<sub>2</sub> = £325) is recoverable in 2002-03.

If:

- you have entered a figure for overlap relief in box 1.78 of the Trust and Estate Trade 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

ask the Orderline for *Help Sheet IR260: Overlap*. This gives you a figure for foreign tax credit relief which needs to be recovered. **Copy it to box 17.2 of the Trust and Estate Tax Return.**

### ■ Calculating your foreign tax credit relief

**boxes 4.9 and 4.9A**

If you calculate the foreign tax credit relief on the trust or estate's income, enter the total in box 4.9. You should also complete box 4.9A, enter zero if appropriate. The notes below explain how to do this.

Where only part of the trust income is chargeable at the rate applicable to trusts, you will need to calculate the foreign tax credit relief on that part **whether or not** you are calculating the overall tax bill of the trust. The notes below explain how to do this.

### Foreign tax credit relief for foreign tax paid on chargeable gains

Enter the following details for each event that has given rise to a chargeable gain in the five columns of Page TF3 of your Trust and Estate Foreign Pages:

- the amount in sterling of the chargeable gain worked out following UK rules (see the Trust and Estate 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.

If you are calculating the trust or estate's tax and wish to claim relief for foreign tax by way of credit against UK Capital Gains Tax liability, ask the Orderline for *Help Sheet IR390: Trusts and estates of deceased persons: foreign tax credit relief and capital gains*.

**box 4.10**

If you have calculated foreign tax credit relief on the gains, include the total in box 4.10.

You only need to read the rest of these Notes if you want to calculate the trust or estate's tax or if only part of the trust income is chargeable to tax at the rate applicable to trusts. Otherwise ignore what follows and finish filling in the Trust and Estate Tax Return.

## Part B - calculating foreign tax credit relief

### ■ Relief against Income Tax

If the trust or estate has paid foreign tax on an item of income that is also chargeable to UK tax and you have not deducted the foreign tax in arriving at the amount of income chargeable to UK tax (see page TFN2 of these Notes), you can claim foreign 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 therefore strictly be calculated separately for each item of overseas income. This may mean that you are not always able to obtain relief for the full amount of foreign tax paid.

#### ● 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 item. This figure is then compared with the foreign tax eligible for credit relief.

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

But if the foreign tax eligible for credit **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.

In order to maximise the amount of foreign tax credit relief in cases where the trust or estate has more than one item of foreign income (including, for example, dividends from more than one foreign company), it is necessary to work out separately the UK tax chargeable on each item in turn, beginning with the item which has suffered the highest rate of foreign tax. The calculation should then be repeated for the item with the next highest rate of foreign tax imposed, and so on, for each successive item. As each item is dealt with, it is excluded from the next calculation, so that eventually the item which has been subjected to the lowest rate of foreign tax is reached.

The total amount of foreign tax credit relief due should be entered at box 4.9 in the Trust or Estate Foreign Pages, and then copied to box T5.2 in the Tax Calculation Working Sheet in the Tax Calculation Guide for Trusts and Estates.

### ■ Trusts/estates not liable to pay tax at the rate applicable to trusts

If the trust or estate is one which is not liable to pay tax at the rate applicable to trusts, a working sheet to help you calculate the amount of foreign tax credit relief allowable is included beginning on page TFN14 of these Notes with completion instructions.

If you are claiming relief by way of credit for foreign tax against the UK tax due on more than one item of foreign income, you will normally need to complete a separate working sheet for each item of income. You can do this either by photocopying the working sheet beginning on page TFN14 or by asking the Orderline for further copies of these pages.

● Completion instructions

You must complete the Working Sheet in the Trust and Estate Tax Calculation Guide up to and including box T5.1 before you begin to complete any Foreign Tax Credit Relief Working Sheet (FTCRWS (Trusts)). However, you will not need to complete a working sheet at all if:

- you are the personal representative of a deceased person's estate or are a trustee who does **not** pay tax at the rate applicable to trusts, **and**
- no entries are required in boxes T1.14 to T1.23 on the Working Sheet, **and**
- none of the income entered in boxes T1.7 to T1.13 has suffered foreign tax at a rate of more than 10%.

If all the above conditions are met, you should simply enter the amount of foreign tax paid in box T5.2. There is no need to complete the Foreign Tax Credit Relief Working Sheet, since the whole of the eligible foreign tax paid will be allowable as credit.

■ **Trusts which are liable to pay tax at the rate applicable to trusts**

If you are a trustee and have ticked box 8.16 in Question 8 on page 3 of the Trust and Estate Tax Return, you pay Income Tax at the rate applicable to trusts, which for 2002-03 is 34%.

**No working sheet for calculating foreign tax credit relief is provided and the one beginning on page TFN14 of these Notes should not be used.**

Complete the Working Sheet in the Trust and Estate Tax Calculation Guide up to and including box T5.1. However:

- if the entries in both box T1.39 (further deductions) and box T3.4 of the Working Sheet (non-savings income not chargeable at 34%) are zero, **and**
- none of the income in boxes T1.7 and T1.11 to T1.13 has been subject to foreign tax at a rate of more than 34%, **and**
- none of the income in box T1.8 has been subject to foreign tax at a rate of more than 25%

then the whole of the eligible foreign tax paid will be allowable as foreign tax credit relief without restriction and should be entered in box T5.2.

If the entries at both boxes T1.39 and T3.4 are zero and

- a) all or part of the income in boxes T1.7 and T1.11 to T1.13 has been subject to foreign tax at a rate of more than 34%, the foreign tax credit relief allowable on such income must be restricted to 34%
- b) all or part of the income in box T1.8 has been subject to foreign tax at a rate of more than 25%, the credit relief allowable on such income must be restricted to 25%.

**Example 6**

A discretionary trust's income comprises overseas interest of £3,000 from which foreign tax of £450 has been withheld, and rental income from a foreign property of £10,000 on which foreign tax at a rate of 40% (£4,000) has been paid. No deductions are due and the whole of the income is liable to UK tax at 34%.

The property income has been subjected to foreign tax at a rate in excess of 34% and so foreign tax credit relief is restricted as follows:

	UK tax at 34%	Tax credit relief
Interest £3,000	£1,020	£450
Property £10,000	<u>£3,400</u>	(Max) <u>£3,400</u>
	<u>£4,420</u>	<u>£3,850</u>

The balance of the foreign tax paid on the property income (£4,000 *minus* £3,400 = £600) is not available to credit against the UK tax on the interest income, nor can it be repaid or carried forward or back.

If entries other than zero are made in either box T1.39 or box T3.4 and you wish to claim relief by way of credit for foreign tax paid, **ask the Inland Revenue office or your tax adviser for assistance in calculating the figure of relief for entry in box T5.2.**

The Foreign Tax Credit Relief Working Sheet begins on page TFN14.

Notes on **TRUST AND ESTATE FOREIGN**

**Foreign Tax Credit Relief Working Sheet for Trustees or Personal Representatives who are not liable to pay tax at the rate applicable to trusts (FTCRWS (Trusts)) (if you want to calculate the tax yourself)**

References in the following notes are to the Trust and Estate Tax Calculation Guide.

Complete a separate FTCRWS for each item of foreign income on which the trust or estate has paid foreign tax for which relief is claimed by way of credit. Ask the Orderline for any additional copies of the Trust and Estate Foreign Pages required or take sufficient copies of the Working Sheet below and on the following pages before you begin.

Complete Page TF1 and TF2 of the Trust and Estate Foreign Pages and boxes T1.1 to T5.2 of the Trust and Estate Tax Calculation Guide before beginning the Foreign Tax Credit Relief Working Sheet.

**boxes TC1 to TC12**

If you are completing the trust's or estate's first FTCRWS, copy into these boxes the figures from boxes T1.25 to T1.36 in the Tax Calculation Guide. Otherwise, copy into boxes TC1 to TC12 the figures in boxes TC25 to TC36 of the last FTCRWS you completed.

**boxes TC13 to TC24**

From the Trust and Estate Foreign Pages select the item of income with the highest percentage rate of foreign tax and enter the amount of that income and any UK tax suffered on it in the appropriate boxes in line 2. Enter '0' in all the other boxes in line 2.

	Income other than savings or dividend type income			Savings type income 20%		Dividend type income
	Income	Tax	Non-payable tax credit	Income	Tax	Income
Line 1: totals of income	T1.25 or TC25 <b>TC1</b> £	T1.26 or TC26 <b>TC2</b> £	T1.27 or TC27 <b>TC3</b> £	T1.28 or TC28 <b>TC4</b> £	T1.29 or TC29 <b>TC5</b> £	T1.30 or TC30 <b>TC6</b> £
Line 2: minus item of foreign income	<b>TC13</b> £	<b>TC14</b> £	<b>TC15</b> £	<b>TC16</b> £	<b>TC17</b> £	<b>TC18</b> £
Line 3: net income	TC1 minus TC13 <b>TC25</b> £	TC2 minus TC14 <b>TC26</b> £	TC3 minus TC15 <b>TC27</b> £	TC4 minus TC16 <b>TC28</b> £	TC5 minus TC17 <b>TC29</b> £	TC6 minus TC18 <b>TC30</b> £

## Notes on TRUST AND ESTATE FOREIGN

### boxes TC25 to TC36

Deduct the figures in boxes TC13 to TC24 from those in boxes TC1 to TC12 and enter the result in boxes TC25 to TC36.

### boxes TC37 to TC59

Complete these boxes in accordance with the instructions on the Working Sheet.

### box TC60

If this is the first FTCRWS you are completing, deduct the figure in box T5.2 of the Tax Calculation Guide from the figure in box T5.1 and enter the result in box TC60. Otherwise enter the figure from box TC59 of the last FTCRWS you completed.

### box TC61

Deduct the figure in box T59 from the figure in box TC60 and enter the result in box TC61.

### box TC62

From column D of the Trust and Estate Foreign Pages, enter the amount of foreign tax paid in respect of the item of income entered in line 2.

### box TC63

Enter in box TC63 the lower of the figures in boxes TC61 and TC62. **This is the amount of foreign tax credit relief allowable in respect of the item of income shown in line 2**

#### Dividend type income (continued)

#### Deemed income

#### Company purchase of own shares

Dividend type income (continued)		Deemed income		Company purchase of own shares	
Tax	Non-payable tax credit	Income	Non-payable tax credit	Income	Non-payable tax credit
T1.31 or TC29 <b>TC7</b>	T1.32 or TC32 <b>TC8</b>	T1.33 or TC33 <b>TC9</b>	T1.34 or TC34 <b>TC10</b>	T1.35 or TC35 <b>TC11</b>	T1.36 or TC36 <b>TC12</b>
£	£	£	£	£	£
<b>TC19</b>	<b>TC20</b>	<b>TC21</b>	<b>TC22</b>	<b>TC23</b>	<b>TC24</b>
£	£	£	£	£	£
TC7 minus TC19 <b>TC31</b>	TC8 minus TC20 <b>TC32</b>	TC9 minus TC21 <b>TC33</b>	TC10 minus TC22 <b>TC34</b>	TC11 minus TC23 <b>TC35</b>	TC12 minus TC24 <b>TC36</b>
£	£	£	£	£	£

Complete further forms FTCRWS for other items of foreign income, add up the figures in box TC63 in each FTCRWS, and enter the total in box 4.9 on the Trust and Estate Foreign Pages. Then copy that figure to box T5.3 in the Trust and Estate Tax Calculation Guide.

now complete page TFN16  
and then page TFN17

# Notes on TRUST AND ESTATE FOREIGN

**FTCRWS (Trusts) continued - complete this page and then go on to page TFN17**

## Deductions

from boxes 10.1 and 10.4

Interest on loans, etc.  **TC37**

from boxes 1.85, 1L.85, 2.15, 2.24, 3.16, 3.43 and 9.36

Losses  **TC38**

TC37 + TC38

Total deductions  **TC39**

**CALCULATION HELP**

If box TC25 exceeds box TC39, enter box TC39 in box TC40 and zero ('0') in boxes TC41 and TC42. Otherwise, enter box TC25 in box TC40 and follow the guidance for box TC41.

**TC40**

**CALCULATION HELP**

If box TC28 exceeds (box TC39 minus box TC25), enter (box TC39 minus box TC25) in box TC41 and zero ('0') in box TC42. Otherwise enter box TC28 in box TC41 and follow the guidance for box TC42.

**TC41**

**CALCULATION HELP**

Enter box TC39 minus (box TC25 + box TC28) in box TC42.

**TC42**

TC25 minus TC40  
 **TC43**

TC28 minus TC41  
 **TC44**

TC30 minus TC42  
 **TC45**

enter TC33  
 **TC46**

enter TC35  
 **TC47**

**For boxes TC48 to TC52**

UUT means Unauthorised Unit Trust, a unit trust scheme that is not an authorised unit trust.

You are trustee of a settlor interested trust if you answered 'Yes' to Question 3 and 'No' to Question 4 on page 10 of the Trust and Estate Tax Return Guide.

**CALCULATION HELP**

**All trusts and personal representatives**  
enter TC43 x 22%

**TC48**

**CALCULATION HELP**

**Trustees of UUT**  
enter TC44 x 22%  
**All others**  
enter TC44 x 20%

**TC49**

**CALCULATION HELP**

**Trustees of UUT**  
enter TC45 x 22%  
**All others**  
enter TC45 x 10%

**TC50**

**CALCULATION HELP**

**Personal representatives**  
enter TC46 x 22%  
**All others:**  
enter TC46 x 34%

**TC51**

**CALCULATION HELP**

**Settlor interested trusts and personal representatives**  
enter TC47 x 10%  
**Other trusts:**  
enter TC47 x 25%

**TC52**

Notes on **TRUST AND ESTATE FOREIGN**

**FTCRWS (Trusts) - continued**

Deduct non-repayable tax. If negative amount, enter zero ('0').

<p>TC48 minus TC27 <b>TC53</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>	<p>TC50 minus TC31 <b>TC54</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>	<p>TC51 minus TC34 <b>TC55</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>	<p>TC52 minus TC36 <b>TC56</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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<p>Deduct repayable tax</p>	<p>TC53 minus TC26 <b>TC57</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>	<p>TC49 minus TC29 <b>TC58</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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<p>Income Tax due</p>	<p>TC54 + TC55 + TC56 + TC57 + TC58 <b>TC59</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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<p>Income Tax due on income shown in line 1</p>	<p>T5.1 minus T5.2 or TC59 of last FTCRWS <b>TC60</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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<p>Income Tax due on income shown in line 2</p>	<p>TC60 minus TC59 <b>TC61</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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<p>Foreign tax paid on income in line 2</p>	<p><b>TC62</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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<p>Foreign Tax Credit Relief for that item of income</p>	<p>lower of TC61 and TC62 <b>TC63</b></p> <p>£ <input style="width: 100px; height: 20px;" type="text"/></p>
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*the list of Double Taxation Agreements begins on page TFN18*



Notes on **TRUST AND ESTATE FOREIGN****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 paid to a resident of the UK. **The table only includes Agreements that 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 and Barbuda	Zero (S)	NA	Zero (S)	NA	
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 1996 (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

Notes on **TRUST AND ESTATE FOREIGN**

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 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)	10% (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 are other than for films and television.
Finland	5%	Zero	Zero	NA	
France	15% (Note 1)	Zero	Zero	NA	1. See Double Taxation Manual DT7259 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 are 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	

Notes on **TRUST AND ESTATE FOREIGN**

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%	12.5% (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%	15% (Note 1)	15% (Note 2)	NA	1. 10% where loan is for a period of more than two years. Exempt where loan is guaranteed by UK ECGD. 2. 10% on patent, etc royalties.
Kuwait	15%	Zero	10%	NA	
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	
Lithuania	15%	10% (Note 1)	10% (Note 2)	NA	1. Exempt in certain circumstances (Art 12(2)(6)). 2. 5% on royalties for the use of industrial, commercial or scientific equipment (Art 12(2)(6)).
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% (S) (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	

\* UK/Soviet Union Agreement applies

Notes on **TRUST AND ESTATE FOREIGN**

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/technical fees	Notes
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	
Norway	15%	Zero	Zero	NA	
Oman	10%	Zero	Zero	NA	
Pakistan	20% (Note 1)	15%	12½%	12½%	1. See Double Taxation Manual DT 14956 and Art 10.
Papua New Guinea	17%	10%	10%	10%	
Philippines	25%	15% (Note 1)	25% (Note 2)	NA	1. 10% where paid by public issue bonds, etc. Exempt where loan 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. See Double Taxation Manual DT 16054.
Russia*	Zero	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 1979. 2. Only reduced to this rate where rights granted after 21 June 1979.
Sudan	15% (Note 1)	15% (S)	10% (S)	NA	1. Exempt if the dividends are exempt under Sudan law when paid to non-residents.

\* UK/Soviet Union Agreement applies

Notes on **TRUST AND ESTATE FOREIGN**

Country	Dividends paid to portfolio investors	Interest	Royalties	Management/technical fees	Notes
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	
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.*