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## EXPLANATORY NOTE

*(This note is not part of the Order)*

The Tax Information Exchange Agreement between the United Kingdom and Montserrat is set out in the Schedule to this Order.

Article 1 of the Order provides for its citation.

Article 2 makes a declaration as to the effect and content of the arrangements set out in the Agreement contained in Part I, and the exchange of letters contained in Part II of the Schedule to the Order, and that it is expedient that those arrangements should have effect.

The Tax Information Exchange Agreement secures application in Montserrat of the same measures as are contained in Council Directive [2003/48/EC](#) on taxation of savings income in the form of interest payments (“the Directive”). It is based on a model reflecting the provisions of the Directive, which was drawn up by the Government of Montserrat for all Member States, discussed by those Member States and approved by the EU Council of Ministers.

The Agreement constitutes a reciprocal arrangement between the United Kingdom and Montserrat for the exchange of information on savings income in the form of interest payments made cross-border from one Party to individuals resident in the other Contracting Party.

As the Agreement enshrines all the measures corresponding to the Directive, it provides not only for the exchange arrangements between competent authorities but also the details of the mechanisms to be followed by paying agents for the identification of individual owners, and for collecting the information to be exchanged.

The detailed provisions of the Agreement are as follows.

Article 1 sets out the categories of information to be exchanged automatically.

Articles 2–6 provide the definitions corresponding to those in the Directive of beneficial owner, paying agent and interest.

Article 7 provides for a consultation procedure, in the event of any disagreement between the parties as to the interpretation of the Agreement and Article 8 sets out the confidentiality provisions concerning the information.

Articles 9–11 deal with commencement and the conditions for application of the Agreement.

The Agreement will enter into force on the thirtieth day after the date of the later of the notifications by each country of the completion of its legislative procedures or the date of application of the Directive, 1st July 2005, whichever is later. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes*.