EXPLANATORY NOTE

(This note is not part of the Order)

The Convention with Guyana is set out in the Schedule to this Order. The Convention provides for business profits not arising through a permanent establishment to be taxed only in the country of the taxpayer's residence. Profits attributable to a permanent establishment may be taxed in the country in which the permanent establishment is situated (Articles 5 and 8).

Income from immovable property may be taxed in the country in which the property is situated (Article 7).

Shipping and air transport profits are generally to be taxed only in the residence state of the operator (Article 9).

The Convention includes rules for determining taxable profits when a company in one country is related to a company in the other (Article 10).

The rate of tax imposed in the country of source on dividends derived by a resident of the other is not to exceed 10 per cent of the gross amount of the dividends when the beneficial owner is a company controlling at least 10 per cent of the voting power in the company paying the dividends, and 15 per cent in all other cases (Article 11).

The rate of tax imposed in the country of source on interest derived by a resident of the other country is not to exceed 15 per cent of the gross amount flowing to the other country. Certain categories of interest (e.g. interest paid to the Government of the other country) will be exempt from tax in the source state (Article 12).

The rate of tax imposed in the source country on royalties is limited to 10 per cent where the beneficial owner is a resident of the other country (Article 13).

The rate of tax on technical fees arising in one country and paid to a resident of the other country is in general not to exceed 10 per cent of the gross amount although in the case of fees arising in Guyana falling within the scope of section 39(10) of the Guyana Income Tax Act, Chapter 81:01, the rate of tax shall not exceed such smaller percentage of the gross amount as may be agreed by the recipient and the Government of Guyana (Article 14).

Each country may tax capital gains in accordance with its domestic law although gains from the alienation of ships or aircraft operated in international traffic shall be taxable only in the country of residence of the operator (Article 15).

The earnings of temporary business visitors and some other individuals are, subject to certain conditions, to be taxed only in the country of the taxpayer's residence (Articles 16 and 17). Fees received by a resident of one country in his capacity as a director of a company resident in the other country may be taxed in the latter country (Article 18). Income derived from the activities of artistes and athletes may be taxed in the country in which those activities are performed (Article 19). Occupational pensions (other than those paid in respect of government service) and annuities are to be taxed only in the recipient's country of residence (Article 20) while government service remuneration and pensions are normally to be taxed only by the paying Government (Article 21). Payments made to visiting students, apprentices and business trainees are generally exempt from tax in the country visited (Article 22). Other income (with the exception of income from trusts and estates of deceased persons under administration) not specified in the Convention remains taxable only in the recipient's country of residence (Article 23).

Where income continues to be taxable in both countries credit will be given in the taxpayer's country of residence for tax imposed by the other country. The credit to be given in the United Kingdom for tax imposed in Guyana includes credit for tax spared under certain provisions of Guyana law. In the case of dividends, the United Kingdom will give credit for the underlying tax paid in Guyana where the shareholder is a United Kingdom company which controls at least 10 per cent of the voting power in the company paying the dividends (Article 24).

There are provisions safeguarding nationals and enterprises of one country against discriminatory taxation in the other country (Article 25), and for consultation (Article 26) and exchanges of information (Article 27) between the taxation authorities of the two countries.

The Convention will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures. The Convention is to take effect in the United Kingdom on or after 1st April in respect of corporation tax and on or after 6th April for income tax and capital gains tax in the calendar year next following that in which it enters into force. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes.*