Draft Order in Council laid before the House of Commons under section 5(2) of the Taxation (International and Other Provisions) Act 2010 and section 173(7) of the Finance Act 2006, for approval by resolution of that House.

DRAFT STATUTORY INSTRUMENTS

2010 No.

CAPITAL GAINS TAX
CORPORATION TAX
INCOME TAX
INHERITANCE TAX
VALUE ADDED TAX

The Double Taxation Relief and International Tax Enforcement (Cayman Islands) Order 2010

Made - - - - [date] [Month] 2010

At the Court at Buckingham Palace, the [date] day of [Month] 2010

Present,

The Queen's Most Excellent Majesty in Council

A draft of this Order was laid before the House of Commons in accordance with section 5(2) of the Taxation (International and Other Provisions) Act 2010(**1**) and section 173(7) of the Finance Act 2006(**2**) and approved by a resolution of that House.

Accordingly, Her Majesty, in exercise of the powers conferred upon Her by section 2 of the Taxation (International and Other Provisions) Act 2010 and section 173(1) of the Finance Act 2006, by and with the advice of Her Privy Council, orders as follows—

Citation

1. This Order may be cited as the Double Taxation Relief and International Tax Enforcement (Cayman Islands) Order 2010.

(**1**) 2010 c. 8.
(**2**) 2006 c. 25.

Double taxation and international tax enforcement arrangements to have effect

2. It is declared that—

(a) the arrangements specified in the Exchange of Letters set out in Part 1 of the Schedule to this Order and in the arrangement set out in Part 2 of that Schedule have been made with the Government of the Cayman Islands;

(b) the arrangements have been made with a view to affording relief from double taxation in relation to income tax, corporation tax, capital gains tax and taxes of a similar character imposed by the laws of the Cayman Islands and for the purpose of assisting international tax enforcement; and

(c) it is expedient that the arrangements should have effect.

Name
Clerk of the Privy Council

SCHEDULE Article 2

PART 1

EXCHANGE OF LETTERS

BETWEEN THE GOVERNMENTS OF THE UNITED KINGDOM AND THE CAYMAN ISLANDS

CONCERNING

AN ARRANGEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION

15th June 2009

Sir,

I have the honour to propose to you –

- the Arrangement between the United Kingdom of Great Britain and Northern Ireland and the Cayman Islands for the avoidance of double taxation and the prevention of fiscal evasion ("the Arrangement") at Appendix 1 to this letter;
- that the Arrangement shall have effect in accordance with Paragraph 14 thereof;
- our mutual commitment to comply at the earliest date with our internal procedures required by our respective domestic law for the bringing into force of the Arrangement and to notify each other without delay through the formal channels when such procedures are completed.

I have the honour to propose that, if the above is acceptable to the Government of the Cayman Islands, this letter and Appendix 1 together with your reply will constitute our mutual acceptance of the provisions of the Arrangement.

The United Kingdom welcomes this Arrangement as a significant step in establishing the Cayman Islands' status as a jurisdiction which complies with international standards in the field of taxation, and recognizes the Cayman Islands' commitment to transparency and effective exchange of information in tax matters and to continued progress in this area.

Please accept, Sir, the assurance of our highest consideration,

The Rt. Hon. Stephen Timms MP
Financial Secretary to the Treasury

Sir,

I have the honour to acknowledge receipt of your letter of 15th June 2009, which reads as follows:

" Sir,

I have the honour to propose to you –

- the Arrangement between the United Kingdom of Great Britain and Northern Ireland and the Cayman Islands for the avoidance of double taxation and the prevention of fiscal evasion ("the Arrangement") at Appendix 1 to this letter;

- that the Arrangement shall have effect in accordance with Paragraph 14 thereof;

- our mutual commitment to comply at the earliest date with our internal procedures required by our respective domestic law for the bringing into force of the Arrangement and to notify each other without delay through the formal channels when such procedures are completed.

I have the honour to propose that, if the above is acceptable to the Government of the Cayman Islands, this letter and Appendix 1 together with your reply will constitute our mutual acceptance of the provisions of the Arrangement.

The United Kingdom welcomes this Arrangement as a significant step in establishing the Cayman Islands' status as a jurisdiction which complies with international standards in the field of taxation, and recognizes the Cayman Islands' commitment to transparency and effective exchange of information in tax matters and to continued progress in this area.

Please accept, Sir, the assurance of our highest consideration,"

I am able to confirm that the Government of the Cayman Islands is in agreement with the contents of your letter dated 15th June 2009 and that this letter constitutes our mutual acceptance and making of the Arrangement contained in Appendix 1 to your letter and appended to this letter.

Please accept, Sir, the assurance of our highest consideration,

The Hon. W. McKeeva Bush
Leader of Government Business
Cayman Islands Government

15th June 2009

PART 2

ARRANGEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE CAYMAN ISLANDS FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Cayman Islands ("the Governments");

Desiring to conclude an Arrangement for the avoidance of double taxation and the prevention of fiscal evasion;

Have arranged as follows:

1. Persons covered

This Arrangement shall apply to persons who are residents of one or both of the Territories.

2. Taxes covered

The taxes to which this Arrangement shall apply are the following United Kingdom taxes:

a) the income tax;
b) the corporation tax;
c) the capital gains tax; and for the purposes of Paragraph 13 only:

d) the inheritance tax;
e) the value added tax;

and any taxes which are identical or substantially similar to those taxes which are imposed by either Territory after the date of signature of this Arrangement. The competent authorities of the Territories shall notify each other of any significant changes that have been made in their taxation laws.

3. General definitions

1. For the purposes of this Arrangement, unless the context otherwise requires:

a) the term "United Kingdom" means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom designated under its laws concerning the Continental Shelf and in accordance with international law as an area within which the rights of the United Kingdom with respect to the sea bed and sub-soil and their natural resources may be exercised;

b) the term "the Cayman Islands" means the territory of the Cayman Islands and includes its territorial sea and any areas beyond its territorial sea within which sovereign rights with respect to the sea bed and sub-soil and their natural resources may be exercised in accordance with international law;

c) the terms "a Territory" and "the other Territory" mean the United Kingdom or the Cayman Islands, as the context requires;

d) the term "person" includes an individual, a company and any other body of persons;