

No. 48298

**United Kingdom of Great Britain and Northern Ireland
and
Denmark (in respect of the Faroe Islands)**

Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Faroes for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital gains (with protocol). London, 20 June 2007

Entry into force: *3 June 2008 by notification, in accordance with article 29*

Authentic texts: *English and Faroese*

Registration with the Secretariat of the United Nations: *United Kingdom of Great Britain and Northern Ireland, 1 February 2011*

**Royaume-Uni de Grande-Bretagne et d'Irlande du Nord
et
Danemark (à l'égard des îles Féroé)**

Convention entre le Gouvernement du Royaume-Uni de Grande-Bretagne et d'Irlande du Nord et le Gouvernement des îles Féroé tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu et sur les gains en capital (avec protocole). Londres, 20 juin 2007

Entrée en vigueur : *3 juin 2008 par notification, conformément à l'article 29*

Textes authentiques : *anglais et féroïen*

Enregistrement auprès du Secrétariat des Nations Unies : *Royaume-Uni de Grande-Bretagne et d'Irlande du Nord, 1^{er} février 2011*

[ENGLISH TEXT – TEXTE ANGLAIS]

**CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED
KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE
GOVERNMENT OF THE FAROES FOR THE AVOIDANCE OF DOUBLE
TAXATION AND THE PREVENTION OF FISCAL EVASION WITH
RESPECT TO TAXES ON INCOME AND ON CAPITAL GAINS**

Considering that the Government of the Faroes concludes this agreement on behalf of the Kingdom of Denmark pursuant to the Act on the Conclusion of Agreements under International Law by the Government of the Faroes, the Government of the Faroes and the Government of the United Kingdom of Great Britain and Northern Ireland;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital gains;

Have agreed as follows:

ARTICLE 1

Persons Covered

This Convention shall apply to persons who are residents of one or both of the Contracting States.

ARTICLE 2

Taxes Covered

1. This Convention shall apply to taxes on income and on capital gains imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital gains all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, as well as taxes on capital appreciation.
3. The existing taxes to which the Convention shall apply are in particular:
 - a. in the Faroes:
 - i. the national tax on income (landsskattur);
 - ii. the municipal tax on income (kommunuskattur);

- iii. the tax on capital gains (kapitalvinningskattur);
 - iv. the tax on royalty (skattur av nýtslugjaldi); and
 - v. the tax on revenue relating to hydrocarbon activities (skattur eftir kolvetnissskattalógini);
(hereinafter referred to as "Faroese tax")
- b. in the United Kingdom:
- i. the income tax;
 - ii. the corporation tax;
 - iii. the capital gains tax;
 - iv. petroleum revenue tax; and
 - v. the supplementary charge in respect of ring fence trades;
(hereinafter referred to as "United Kingdom tax").

4. This Convention shall also apply to any identical or substantially similar taxes that are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes that have been made in their taxation laws.

ARTICLE 3

General Definitions

1. For the purposes of this Convention, unless the context otherwise requires:
- a. the term "Faroes" means the landmass of the Faroes and its territorial waters and any area outside the territorial waters where the Faroes according to Faroese legislation and in accordance with international law, may exercise its rights with respect to the seabed and subsoil and their natural resources;
 - b. 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 subsoil and their natural resources may be exercised;
 - c. the term "national" means:

- i. in relation to the Faroes, any individual possessing the nationality of Denmark and who is resident in the Faroes and any legal person, partnership or association deriving its status as such from the law in force in the Faroes;
 - ii. in relation to the United Kingdom, any British citizen, or any British subject not possessing the citizenship of any other Commonwealth country or territory, provided he has the right of abode in the United Kingdom; and any legal person, partnership, association or other entity deriving its status as such from the laws in force in the United Kingdom;
- d. the term "tax" means Faroese tax or United Kingdom tax, as the context requires;
- e. the terms "a Contracting State" and "the other Contracting State" mean the Faroes or the United Kingdom, as the context requires;
- f. the term "person" includes an individual, a company and any other body of persons;
- g. the term "company" means any body corporate or any entity that is treated as a body corporate for tax purposes;
- h. the term "enterprise" applies to the carrying on of any business;
- i. the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- j. the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
- k. the term "competent authority" means:
 - i. in the case of the Faroes, the Minister of Finance or his authorised representative;
 - ii. in the case of the United Kingdom, the Commissioners for Her Majesty's Revenue and Customs or their authorised representative;
- l. the term "business" includes the performance of professional services and of other activities of an independent character.

2. As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purpose of the taxes to which the Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

ARTICLE 4

Resident

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income or capital gains from sources in that State.

2. The term "resident of a Contracting State" includes

- a. a person established in a Contracting State under the laws of that State who is generally exempt from income taxation in that State and who operates, administers or provides pension or retirement benefits or earns income for the benefit of one or more arrangements providing pension or retirement benefits; and
- b. an organisation that is established and is operated exclusively for religious, charitable, scientific, cultural, or educational purposes (or for more than one of those purposes) and that is a resident of that State according to its laws, notwithstanding that all or part of its income or gains may be exempt from tax under the domestic law of that State.

3. Where by reason of the provisions of paragraph 1 of this Article an individual is a resident of both Contracting States, then his status shall be determined as follows:

- a. he shall be deemed to be a resident only of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of the State with which his personal and economic relations are closer (centre of vital interests);
- b. if the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;