
 STATUTORY INSTRUMENTS

1968 No. 1867

INCOME TAX

**The Double Taxation Relief (Taxes on Income)
(Grenada) Order 1968**
Laid before the House of Commons in draft

Made - - - - 22nd November 1968

At the Court at Buckingham Palace, the 22nd day of November 1968

Present,

The Queen's Most Excellent Majesty in Council

Whereas a draft of this Order was laid before the Commons House of Parliament in accordance with the provisions of section 347(6) of the Income Tax Act 1952(a), and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of this Order:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by section 347(1) of the said Income Tax Act 1952, as amended by section 64 of the Finance Act 1965(b), and of all other powers enabling Her in that behalf, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. This Order may be cited as the Double Taxation Relief (Taxes on Income) (Grenada) Order 1968.

2. It is hereby declared—

- (a) that the arrangements specified in the Agreement set out in the Schedule to this Order have been made with the Government of Grenada with a view to affording relief from double taxation in relation to income tax or corporation tax and taxes of a similar character imposed by the laws of Grenada varying the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Grenada) Order 1949(c); and
- (b) that it is expedient that those arrangements should have effect.

W. G. Agnew.

SCHEDULE

AGREEMENT AMENDING THE ARRANGEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF GRENADA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Grenada,

Desiring to amend the Arrangement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income made in 1949 between His Majesty's Government and the Government of Grenada (hereinafter referred to as "the Arrangement"),

Have agreed as follows:

ARTICLE 1

The Arrangement shall be amended—

- (a) by the deletion of paragraph 2(1)(b);
- (b) by the substitution for the references therein to "the Colony", "Colonial enterprise" and "Colonial tax" of references to "Grenada", "Grenada enterprise" and "Grenada tax" respectively;
- (c) by the addition at the end of paragraph 6 of the following new sub-paragraph—

"(3) If the recipient of a dividend is a company which owns 10 per cent. or more of the class of shares in respect of which the dividend is paid then sub-paragraph (1) shall not apply to the dividend to the extent that it can have been paid only out of profits which the company paying the dividend earned or other income which it received in a period ending twelve months or more before the relevant date. For the purposes of this sub-paragraph the term "relevant date" means the date on which the beneficial owner of the dividend became the owner of 10 per cent. or more of the class of shares in question. Provided that this sub-paragraph shall not apply if the beneficial owner of the dividend shows that the shares were acquired for *bona fide* commercial reasons and not primarily for the purpose of securing the benefit of this paragraph."; and

- (d) by the substitution for sub-paragraphs (1) and (2) of paragraph 13 of the following two new sub-paragraphs—

"(1) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof)—

- (a) Grenada tax payable under the laws of Grenada and in accordance with this Arrangement, whether directly or by deduction, on profits or income from sources within Grenada shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits or income by reference to which Grenada tax is computed. Provided that in the case of a dividend the credit shall only take into account such tax in respect thereof as is additional to any tax payable by the company on the profits out of which the dividend is paid and is ultimately borne by the recipient without reference to any tax so payable.

(b) Where a company which is a resident of Grenada pays a dividend to a company resident in the United Kingdom which controls directly or indirectly at least 10 per cent. of the voting power in the first-mentioned company, the credit shall take into account (in addition to any Grenada tax for which credit may be allowed under (a) of this sub-paragraph) the Grenada tax payable by that first-mentioned company in respect of the profits out of which such dividend is paid.

(2) Subject to the provisions of the law of Grenada regarding the allowance as a credit against Grenada tax of tax payable in a territory outside Grenada (which shall not affect the general principle hereof)—

(a) United Kingdom tax payable under the laws of the United Kingdom and in accordance with this Arrangement, whether directly or by deduction, on profits or income from sources within the United Kingdom shall be allowed as a credit against any Grenada tax computed by reference to the same profits or income by reference to which the United Kingdom tax is computed. Provided that in the case of a dividend the credit shall only take into account such tax in respect thereof as is additional to any tax payable by the company on the profits out of which the dividend is paid and is ultimately borne by the recipient without reference to any tax so payable.

(b) Where a company which is a resident of the United Kingdom pays a dividend to a company resident in Grenada which controls directly or indirectly at least 10 per cent. of the voting power in the first-mentioned company, the credit shall take into account (in addition to any United Kingdom tax for which credit may be allowed under (a) of this sub-paragraph) the United Kingdom tax payable by that first-mentioned company in respect of the profits out of which such dividend is paid.”

ARTICLE 2

This Agreement shall enter into force when the last of all such things shall have been done in the United Kingdom and Grenada as are necessary to give the Agreement the force of law in the United Kingdom and Grenada respectively, and shall have effect in respect of dividends payable after that date.

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed this Agreement.

DONE in duplicate at St. George's, Grenada this third day of July 1968 and at Castries, St. Lucia this twenty-fifth day of July 1968.

For the Government of the
United Kingdom of Great
Britain and Northern Ireland:

For the Government of
Grenada:

STUART ROBERTS

GEO. F. HOSTEN

EXPLANATORY NOTE

(This Note is not part of the Order.)

This Agreement makes two amendments to the Arrangement between the United Kingdom and Grenada which is scheduled to the Double Taxation Relief (Taxes on Income) (Grenada) Order 1949.

First it provides that the exemption of dividends from any tax chargeable in addition to the tax on the paying company's profits is not to be allowed in certain cases where the shareholder is a company having a substantial holding in the paying company. The restriction does not apply to dividends on shares acquired for *bona fide* commercial reasons.

Secondly, it amends paragraph 13 of the 1949 Arrangement in its application to dividends by providing that credit for tax on the profits out of which dividends are paid, whether that tax is deducted from the dividends or not, is to be given only where the recipient is a company which holds not less than 10 per cent of the voting power in the paying company.

The Agreement applies to dividends paid after the date on which it enters into force.