

**1968 No. 1869**

**INCOME TAX**

**The Double Taxation Relief (Taxes on Income)  
(France) 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 39 and 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) (France) Order 1968.

2. It hereby declared—

(a) that the arrangements specified in the Convention set out in the Schedule to this Order have been made with the Government of the French Republic with a view to affording relief from double taxation in relation to income tax, corporation tax, or capital gains tax and taxes of a similar character imposed by the laws of France; and

(b) that it is expedient that those arrangements should have effect.

*W. G. Agnew.*

## SCHEDULE

### CONVENTION BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND FRANCE 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 the French Republic;

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

Have agreed as follows:

#### ARTICLE 1

(1) The taxes which are the subject of this Convention are:

- (a) in the United Kingdom of Great Britain and Northern Ireland:  
the income tax including surtax, the corporation tax and the capital gains tax  
(hereinafter referred to as “United Kingdom tax”);
- (b) in France:  
the income tax on the income of physical persons, the complementary tax, the corporation tax, including any withholding tax, prepayment (*précompte*) or advance payment with respect to the aforesaid taxes (hereinafter referred to as “French tax”).

(2) This Convention shall also apply to any identical or substantially similar future taxes which are imposed in addition to, or in place of, the existing taxes by either Contracting State or by the Government of any territory to which this Convention is extended under Article 29. The competent authorities of the Contracting States shall notify to each other any changes which have been made in their respective taxation laws.

#### ARTICLE 2

(1) In this Convention:

- (a) the term “United Kingdom” means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which is, in accordance with international law, an area within which the United Kingdom may exercise rights with respect to the sea bed and sub-soil and their natural resources;
- (b) the term “France” means the European and Overseas Departments (Guadeloupe, Guyane, Martinique and Réunion) of the French Republic, including any area outside the territorial sea of France which is, in accordance with international law, an area within which France may exercise rights with respect to the sea bed and sub-soil and their natural resources;
- (c) the terms “a Contracting State” and “the other Contracting State” mean the United Kingdom or France as the context requires;
- (d) the term “competent authorities” means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative; in the case of France, the Minister of Economy and Finance (*le Ministre de l’Economie et des Finances*) or his authorised representative; and, in the case of any territory to which this Convention is extended under Article 29, the competent authority for the administration in such territory of the taxes to which this Convention applies;
- (e) the term “tax” means United Kingdom tax or French tax as the context requires;
- (f) the term “person” comprises an individual, a company and any other body of persons;

- (g) the term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;
- (h) 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;
- (i) the term “international traffic” includes any voyage of a ship or aircraft other than a voyage solely between places in the Contracting State which is not the Contracting State of which a person deriving the profits of the operation of a ship or aircraft is a resident.

(2) Where under the Convention a person is entitled to exemption or relief from tax in a Contracting State on certain income it (with or without further conditions) he is subject to tax in the other Contracting State in respect thereof and he is subject to tax there by reference to the amount of that income which is remitted to, or received in, that other Contracting State the amount of that income on which exemption or relief is to be allowed in the first-mentioned Contracting State shall be limited to the amount so remitted or received.

(3) In the application of the provisions of this Convention by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

### ARTICLE 3

(1) For the purposes of this Convention, the terms “resident of the United Kingdom” and “resident of France” mean respectively any person who is resident in the United Kingdom for the purposes of United Kingdom tax and any person who is resident in France for the purposes of French tax.

(2) Where by reason of the provisions of paragraph (1) an individual is a resident of both Contracting States, then this case shall be determined in accordance with the following rules:

- (a) He shall be deemed to be a resident 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 Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closest (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 Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode.
- (c) If he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national.
- (d) If he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

(3) Where by reason of the provisions of paragraph (1) a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

(4) The term “resident of a Contracting State” and “resident of the other Contracting State” means a person who is a resident of the United Kingdom, or a person who is a resident of France, as the context requires.

#### ARTICLE 4

(1) For the purposes of this Convention, the term “permanent establishment” means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

(2) The term “permanent establishment” shall include especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a mine, quarry or other place of extraction of natural resources;
- (g) a building site or construction or assembly project which exists for more than twelve months.

(3) The term “permanent establishment” shall not be deemed to include:

- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;
- (e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(4) A person acting in a Contracting State on behalf of an enterprise of the other Contracting State—other than an agent of an independent status to whom paragraph (5) applies—shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

(5) An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

(6) The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

(7) An insurance enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if it collects premiums there or insures risks situated there through an agent established there but not including any such agent as is mentioned in paragraph (5).

#### ARTICLE 5

(1) Income from immovable property may be taxed in the Contracting State in which such property is situated.

(2) (a) The term “immovable property” shall, subject to sub-paragraph (b) below, be defined in accordance with the law of the Contracting State in which the property in question is situated.

(b) The term “immovable property” shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraph (1) shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

(4) The provisions of paragraphs (1) to (3) shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of professional services.

#### ARTICLE 6

(1) The industrial or commercial profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the industrial or commercial profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

(2) Where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the industrial or commercial profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment.

(3) In the determination of the industrial or commercial profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere, excluding expenses which would not be deductible if the permanent establishment were a separate enterprise.

(4) No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

(5) The term “industrial or commercial profits” means income derived by an enterprise from the conduct of a trade or business including income derived by an enterprise from the furnishing of services of employees or other personnel, but does not include income dealt with in Article 5, in Article 9 (dividends) excluding paragraph (5), in Article 11 (interest) excluding paragraph (4), and in Article 12 (royalties) excluding paragraph (3), nor does it include income received by an individual as compensation for personal (including professional) services.

(6) In so far as the law of a Contracting State which is in force at the date of signature of this Convention provides for determining the profits to be attributed to a permanent establishment on the basis of an apportionment of the total income and expenses of the enterprise, nothing in paragraph (2) shall preclude that Contracting State from determining the profits to be taxed by such an apportionment provided that the result shall be in accordance with the principles laid down in Article 25 of this Convention.

#### ARTICLE 7

Profits which a resident of one of the Contracting States derives from the operation of ships or aircraft in international traffic shall be taxable only in that State.

## ARTICLE 8

Where

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State;
- or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State;

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

## ARTICLE 9

(1) Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

(2) Dividends paid by a company which is a resident of one Contracting State to a resident of the other Contracting State who is subject to tax there in respect thereof, may be taxed in the first-mentioned State and according to the law of that State but the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of the dividends if the recipient is a company which controls directly at least 10 per cent of the voting power in the company paying the dividends;
- (b) in all other cases, 15 per cent of the gross amount of the dividends.

(3) The term “dividends” as used in this Article means income from shares, *jouissance* shares or *jouissance* rights, mining shares, founders’ shares or other rights, not being debt-claims, participating in profits, as well as income treated as a distribution by the taxation law of the State of which the company making the distribution is a resident.

(4) If the recipient of dividends is a company which owns 10 per cent or more of the class of shares in respect of which the dividends are paid then paragraph (2) shall not apply to the dividends to the extent that they can have been paid only out of income which accrued to the company paying the dividends in a period ending twelve months or more before the relevant date. For the purposes of this paragraph the term “relevant date” means the date on which the recipient of the dividends became the owner of 10 per cent or more of the class of shares in question.

Provided that this paragraph shall not apply if the shares were acquired for bona fide commercial reasons and not primarily for the purposes of securing the benefit of this Article.

(5) The limitations on the rate of tax for which paragraph (2) provides shall not apply if the recipient of the dividends, being a resident of a Contracting State, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is effectively connected.

(6) When the prepayment (*précompte*) is levied in respect of dividends paid by a company which is a resident of France to a resident of the United Kingdom, such resident shall be entitled to the refund of that prepayment, subject to the deduction of the withholding tax with respect to the refunded amount in accordance with paragraph (2) of this Article.

## ARTICLE 10

Where a company which is a resident of a Contracting State has a permanent establishment in the other Contracting State, it may be subjected therein to any withholding tax provided by the internal law of that other Contracting State but such tax shall not exceed 15 per cent of two-thirds of the profits of the permanent establishment after payment of the corporation tax on those profits.

## ARTICLE 11

(1) Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

(2) However, such interest may be taxed in the Contracting State in which it arises, and according to the law of that State; but where the resident of the other Contracting State is subject to tax there in respect thereof, the tax so charged shall not exceed 10 per cent of the amount of the interest except that interest on bonds (*obligations*) issued in France before 1st January, 1965 may be taxed at a rate not exceeding 12 per cent of the amount of the interest.

(3) The term "interest" as used in this Article means income from Government securities, bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises, but does not include income dealt with in Article 9.

(4) The limitation on the rate of tax for which paragraph (2) provides shall not apply if the recipient of the interest, being a resident of a Contracting State, has in the other Contracting State in which the interest arises a permanent establishment with which the debt-claim from which the interest arises is effectively connected.

(5) (a) Subject to sub-paragraph (b) any provision in the law of either Contracting State relating only to interest paid to a non-resident company shall not operate so as to require such interest paid to a company which is a resident of the other Contracting State to be treated as a distribution of the company paying such interest.

(b) Sub-paragraph (a) shall not apply to interest paid to a company which is a resident of a Contracting State in which more than 50 per cent of the voting power is controlled, directly or indirectly, by a person or persons resident in the other Contracting State.

(6) Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(7) Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the interest paid, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments, if treated as a dividend or distribution of a company, shall be taxed in accordance with Article 9.

## ARTICLE 12

(1) Royalties arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax there in respect thereof shall be taxable only in that other State.

(2) The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films and films or tapes for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience and shall include gains derived from the sale or exchange of any rights or property giving rise to such royalties.

(3) The provisions of paragraph (1) shall not apply if the recipient of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise a permanent establishment with which the right or property giving rise to the royalties is effectively connected.

(4) Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments, if treated as a dividend or distribution of a company, shall be taxed in accordance with Article 9.

#### ARTICLE 13

(1) Gains from the alienation of immovable property as defined in paragraph (2) of Article 5, or from the alienation of shares or comparable interests in a real property co-operative or in a company of which the assets consist principally of such property, may be taxed in the Contracting State in which such property is situated.

(2) Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in the other State. However, gains derived by a resident of a Contracting State from the alienation of ships and aircraft operated in international traffic and movable property pertaining to the operation of such ships and aircraft shall, if subject to tax therein, be taxable only in that Contracting State.

(3) Gains from the alienation of any property other than those mentioned in paragraphs (1) and (2) shall, if subject to tax in the Contracting State of which the alienator is a resident, be taxable only in that State.

#### ARTICLE 14

(1) Income derived by a resident of a Contracting State in respect of independent professional activities shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.

(2) The term “independent professional activities” means all the activities—other than commercial, industrial or agricultural activities—carried on by a person who receives the proceeds or bears the losses arising from those activities.

#### ARTICLE 15

(1) Subject to the provisions of Articles 16, 18, 19 and 20, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in



the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1), remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned; and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

(3) Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or aircraft in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

#### ARTICLE 16

Directors' fees and similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

#### ARTICLE 17

(1) Notwithstanding the provisions of Articles 14 and 15, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are exercised.

(2) Such income derived from the United Kingdom by a resident of France may also be taxed in France.

#### ARTICLE 18

(1) Subject to the provisions of paragraphs (1) and (2) of Article 19, any pension and other similar remuneration paid in consideration of past employment to a resident of a Contracting State and any annuity paid to such a resident shall be taxable only in that State.

(2) The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

#### ARTICLE 19

(1) (a) Subject to the provisions of sub-paragraph (b) of this paragraph, remuneration or pensions paid out of public funds of the United Kingdom or Northern Ireland or of the funds of any local authority in the United Kingdom to any individual in respect of services rendered to the Government of the United Kingdom or Northern Ireland or a local authority in the United Kingdom in the discharge of functions of a governmental nature, shall be taxable only in the United Kingdom.

(b) Where the individual is a French national without also being a United Kingdom national, sub-paragraph (a) of this paragraph shall not apply, but the remuneration or pension shall, for the purposes of Article 24, be deemed to be income from a source within the United Kingdom.

(2) (a) Subject to the provisions of sub-paragraph (b) of this paragraph, remuneration or pensions paid by, or out of funds created by, France or a local authority thereof to any individual in respect of services rendered to the Government of France or local authority thereof, in the discharge of functions of a governmental nature, shall be taxable only in France.

(b) Where the individual is a national of the United Kingdom without also being a French national, sub-paragraph (a) of this paragraph shall not apply, but the remuneration or pension shall, for the purposes of Article 24, be deemed to be income from a source within France.

(3) The provisions of paragraphs (1) and (2) shall not apply to remuneration or pensions in respect of services rendered in connection with any trade or business.

(4) Notwithstanding anything in this Convention:

(a) the pensions referred to in paragraphs (4), (5) and (6) of Article 81 of the French General Tax Code shall be exempt from United Kingdom tax, regardless of the nationality of the pensioner, so long as they are exempt from French tax;

(b) the following pensions shall be exempt from French tax, regardless of the nationality of the pensioner, so long as they are exempt from United Kingdom tax:

(i) wounds pensions granted to members of the naval, military or air forces of the Crown;

(ii) retired pay of disabled officers granted on account of medical unfitness attributable to or aggravated by naval, military or air force service;

(iii) disablement or disability pensions granted to members, other than commissioned officers, of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air force service;

(iv) disablement pensions granted to persons who have been employed in the nursing services of any of the naval, military or air forces of the Crown on account of medical unfitness attributable to or aggravated by naval, military or air force service;

(v) injury and disablement pensions payable under any scheme made under the Injuries in War (Compensation) Act, 1914, the Injuries in War Compensation Act, 1914 (Session 2), the Injuries in War (Compensation) Act, 1915, the Pensions (Navy, Army, Air Force and Mercantile Marine) Act, 1939, the Personal Injuries (Emergency Provisions) Act, 1939, or under any War Risks Compensation Scheme for the Mercantile Marine.

Provided that paragraph (1) of this Article shall apply to such part of any income from those pensions as is not exempted from United Kingdom tax.

#### ARTICLE 20

A professor or teacher who immediately before visiting a Contracting State is a resident of the other Contracting State and who receives remuneration for teaching during a period of temporary residence in the first-mentioned Contracting State not exceeding two years at a university, college, school or other educational institution shall be exempt from tax in the first-mentioned Contracting State in respect of the remuneration from such teaching.

#### ARTICLE 21

A student or business apprentice who immediately before visiting a Contracting State is a resident of the other Contracting State and is present in the first-mentioned Contracting State solely for the purpose of his education or training shall not be taxed in that first-mentioned Contracting State on payments which he receives for the purpose of his maintenance, education or training provided that such payments are made to him from sources outside that first-mentioned Contracting State.

## ARTICLE 22

Items of income of a resident of a Contracting State who is subject to tax there in respect thereof being income of a class or from sources not expressly mentioned in the foregoing Articles of this Convention shall, if the right or holding from which the income arises is not effectively connected with a permanent establishment in the other Contracting State, be taxable only in the first-mentioned State.

## ARTICLE 23

(1) Subject to paragraph (3) of this Article, individuals who are residents of France shall be entitled to the same personal allowances, reliefs and reductions for the purposes of United Kingdom taxation as British subjects not resident in the United Kingdom.

(2) Subject to paragraph (3) of this Article, individuals who are residents of the United Kingdom shall be entitled to the same personal allowances, reliefs and reductions for the purposes of French tax as French nationals resident in the United Kingdom.

(3) Nothing in this Convention shall entitle an individual who is a resident of a Contracting State and whose income from the other Contracting State consists solely of dividends, interest or royalties (or solely of any combination thereof) to the personal allowances, reliefs and reductions of the kind referred to in this Article for the purposes of taxation in that other Contracting State.

## ARTICLE 24

Double taxation of income shall be avoided as follows:

- (a) 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):
- (i) French tax payable under the laws of France and in accordance with this Convention, whether directly or by deduction, on profits, income or chargeable gains from sources within France (excluding in the case of a dividend, tax payable in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which the French tax is computed;
  - (ii) when a dividend is paid by a company which is a resident of France to a company resident in the United Kingdom which directly controls at least 10 per cent of the voting power in the French company, the credit shall also take into account the French tax payable by the Company in respect of the profits out of which such dividend is paid if, at the time when the dividend is paid, a company resident in France bears, in respect of any dividend received from a company which is a resident of the United Kingdom, taxation in France which is no more burdensome than the taxation of any such dividend under the internal law of France in force at the date of the signature of this Convention.
- (b) In the case of France:
- (i) income other than that mentioned in sub-paragraph (ii) below shall be exempt from the French taxes mentioned in paragraph (1) of Article 1 while the income is, under the Convention, taxable in the United Kingdom;
  - (ii) as regards income mentioned in Articles 9, 11 and 17 which has borne United Kingdom tax in accordance with the provisions of these Articles, France shall allow to a resident of France receiving such income from the United Kingdom a tax credit corresponding to the amount of tax levied in the United Kingdom. Such tax credit, not exceeding the amount of French tax levied on such income, shall be allowed against taxes mentioned in sub-paragraph (1)(b) of Article 1 of this Convention, in the bases of which such income is included;

- (iii) notwithstanding the provisions of sub-paragraphs (i) and (ii) French tax may be computed on income chargeable in France by virtue of this Convention at the rate appropriate to the total of the income chargeable in accordance with French law.
- (c) A resident of a Contracting State who maintains one or more places of abode in the other Contracting State shall not be subject in that other State to an income tax according to an imputed income based on the rental value of the place or places of abode.
- (d) For the purposes of this Article profits or remuneration for personal (including professional) services performed in a Contracting State shall be deemed to be income from sources within that Contracting State, and the services of an individual whose services are wholly or mainly performed in ships or aircraft operated by a resident of one of the Contracting States shall be deemed to be performed in that Contracting State.

#### ARTICLE 25

(1) The nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

(2) The term “national” means:

(a) in relation to the United Kingdom:

- (i) all citizens of the United Kingdom and Colonies who derive their status as such from their connection with the United Kingdom;
- (ii) all legal persons, associations and other entities deriving their status as such from the law in force in the United Kingdom;

(b) in relation to France:

- (i) all individuals who have French nationality;
- (ii) all legal persons, associations and other entities deriving their status as such from the law in force in France.

(3) The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities; provided that this paragraph shall not prevent a Contracting State from imposing the tax referred to in Article 10.

(4) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned State are or may be subjected.

(5) In determining for the purpose of United Kingdom tax whether a company is a close company the term “recognised stock exchange” shall include any stock exchange set up in France in accordance with the French legislation.

(6) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances and reliefs for tax purposes which are granted to individuals so resident, nor as restricting the taxation of dividends paid to a company which is a resident of the other Contracting State.

(7) In this Article the term “taxation” means taxes of every kind and description.

## ARTICLE 26

(1) Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authorities of either Contracting State.

(2) The competent authorities shall endeavour, if the objection appears to them to be justified and if they are not themselves able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authorities of the other Contracting State, with a view to the avoidance of taxation not in accordance with the Convention.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties arising as to the application of the Convention. In particular the competent authorities may consult together to endeavour to resolve disputes arising out of the application of paragraph (2) of Article 6 or Article 8, or the determination of the source of particular items of income.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs or for the purpose of giving effect to the provisions of the Convention and for resolving any difficulty as to the application of the Convention.

(5) In France where the income or profits of an enterprise are adjusted pursuant to Article 8, taxes shall be imposed on such income or profits, or refund of taxes shall be allowed, in accordance with the agreement reached by the competent authorities respecting such adjustments.

(6) In the United Kingdom where profits on which an enterprise of the United Kingdom has been charged to United Kingdom tax are also included in the profits of an enterprise of France in accordance with Article 8, the amount included in the profits of both enterprises shall be treated for the purposes of Article 24 as income from a source in France of an enterprise of the United Kingdom and credit shall be given accordingly in respect of the extra French tax chargeable as a result of the inclusion of the said amount.

## ARTICLE 27

(1) The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or for the prevention of fraud or for the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than persons (including a Court or administrative body) concerned with the assessment or collection of, or prosecution in respect of, or the determination of appeals in relation to, the taxes which are the subject of the Convention.

(2) In no case shall the provisions of paragraph (1) be construed so as to impose on the competent authorities of either Contracting State the obligation:

- (a) to carry out administrative measures at variance with the laws or administrative practice prevailing in either Contracting State;
- (b) to supply particulars which are not obtainable under the laws or in the normal course of the administration in that or the other Contracting State; or
- (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*).

## ARTICLE 28

The competent authorities of the Contracting States shall settle the mode of application of this Convention. In particular they shall agree if necessary on the procedures relating to the application of Articles 9, 10 and 11.

## ARTICLE 29

(1) This Convention may be extended, either in its entirety or with any necessary modifications, to any territory to which this Article applies and which imposes taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date and subject to such modifications and conditions, including conditions as to termination, as may be specified and agreed between the Contracting States in Notes to be exchanged for this purpose.

(2) Unless otherwise agreed by both Contracting States, the termination of the Convention by one of them under Article 31 shall terminate, in the manner provided for in that Article, the application of the Convention to any territory to which it has been extended under this Article.

(3) The territories to which this Article applies are:

(a) in relation to the United Kingdom:

any territory other than the United Kingdom for whose international relations the United Kingdom is responsible;

(b) in relation to France:

the French overseas territories.

## ARTICLE 30

(1) Each of the Contracting States shall notify to the other the completion of the procedure required by its law for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

(a) in the United Kingdom:

(i) as respects income tax (including surtax), for any year of assessment beginning on or after 6th April, 1966 other than income tax in respect of dividends paid before 6th April, 1966;

(ii) as respects corporation tax, for any financial year beginning on or after 1st April, 1964; and

(iii) as respects capital gains tax, for any year of assessment beginning on or after 6th April, 1966;

(b) in France:

(i) for withholding tax and prepayment (*précompte*) relating to any amounts payable on or after 1st January, 1966;

(ii) as respects other taxes for the assessment year 1966 and subsequent years.

(2) The Convention between the United Kingdom and France signed at Paris on 14th December, 1950 shall terminate and cease to have effect in relation to any tax with effect from the date on which this Convention has effect in relation to that tax in accordance with paragraph (1) of this Article. Where, however, any provision of the Convention of 14th December, 1950 would have afforded greater relief from United Kingdom tax than this Convention any such provision of the said Convention of 14th December, 1950 shall continue to have effect:

(a) as respects income tax (including surtax) for any year of assessment beginning before the date of the entry into force of this Convention; and

(b) as respects corporation tax for any financial year beginning before the said date.

## ARTICLE 31

This Convention shall continue in effect indefinitely but either Contracting State may, on or before the thirtieth day of June in any calendar year after the year 1971 give notice of termination to the other Contracting State and, in such event, this Convention shall cease to be effective:

- (a) in the United Kingdom:
  - (i) as respects income tax (including surtax) and capital gains tax for any year of assessment beginning on or after 6th April in the calendar year next following that in which the notice is given;
  - (ii) as respects corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the notice is given;
- (b) in France:
  - (i) for withholding tax and prepayment (*précompte*) relating to any amounts payable on or after 1st January in the calendar year next following that in which the notice is given;
  - (ii) as respects other taxes for the assessment year next following that in which the notice is given and for subsequent years.

In witness whereof the undersigned, duly authorised thereto by their respective Governments, have signed this Convention.

Done in duplicate at London, this 22nd day of May, 1968, in the English and French languages, both texts being equally authoritative.

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

CHALFONT

For the Government of the French Republic:

G. DE COURCEL

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## EXPLANATORY NOTE

*(This Note is not part of the Order.)*

Under the Convention with France scheduled to this Order (which is to replace the Convention signed in Paris on 14th December, 1950<sup>(a)</sup>) shipping and air transport profits, certain trading profits not arising through a permanent establishment, royalties, pensions (other than Government pensions) and the earnings of temporary business visitors are (subject to certain conditions) to be taxed only in the country of the taxpayer's residence. Government salaries and pensions are normally to be taxed by the paying Government only. Remuneration of visiting teachers and professors and payments made for the maintenance of visiting students are (subject to certain conditions) to be exempt in the country visited. Capital gains arising from the disposal of movable property are normally to be taxed only in the country of the taxpayer's residence unless they arise from the disposal of the assets of a permanent establishment which the taxpayer has in the other country.

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<sup>(a)</sup> S.I. 1951/1388 (1951 I, p. 1100).

The rate of tax in the source country on dividends paid to residents of the other country is, in general, not to exceed 5 per cent if the recipient is a company which controls at least 10 per cent of the voting power in the paying company or 15 per cent in other cases. The rate of tax in the source country on interest paid to residents of the other is in general not to exceed 10 per cent.

Where income continues to be taxable in both countries, relief from double taxation is to be given by the country of the taxpayer's residence. In the case of a dividend paid by a French company, credit for the tax on the profits out of which the dividend is paid is, while certain provisions of French law are in force, to be given for United Kingdom tax purposes where the recipient of the dividend is a United Kingdom company which controls not less than 10 per cent of the voting power of the paying company. There are provisions safeguarding nationals and enterprises of one country against discriminatory taxation in the other country; a limited additional tax may however be charged on the profits earned in one country by a permanent establishment of a company which is a resident of the other. There are also provisions for the exchange of information and consultation between the taxation authorities of the two countries.

The Convention is in general to take effect in the United Kingdom for all years for corporation tax, and for 1966-67 and subsequent years for income tax, surtax and capital gains tax.

Printed in England by McCorquodale & Co. Ltd., London  
and published by  
Her Majesty's Stationery Office: 1968