
EXPLANATORY NOTE

(This note is not part of the Order)

The Agreement with the Sultanate of Oman is set out in Part I of the Schedule to this Order.

The Agreement 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 7).

Income from immovable property and gains derived from the alienation of such property may be taxed in the country in which the property is situated (Articles 6 and 13).

International transport profits are generally to be taxed only in the country of residence of the operator (Article 8).

The Agreement includes rules for determining taxable profits when a company in one country is related to a company in the other country (Article 9).

The rate of tax imposed in the country of source on dividends derived by a resident of the other country who is subject to tax on them there shall not, in general, exceed 5 per cent. of the gross amount if the beneficial owner is a company controlling at least 10 per cent. of the voting power in the company paying the dividends; and 10 per cent. of the gross amount of the dividends in all other cases (Article 10).

Interest and royalties are generally to be taxed only in the country in which the beneficial owner is resident, provided he is subject to tax on the income in that country (Articles 11 and 12).

Gains arising from the disposal of movable property are normally to be taxed only in the country of the taxpayer's residence. Gains arising from the disposal of movable property forming assets of a permanent establishment or fixed base which the taxpayer has in the other country may be taxed in that other country (Article 13).

The earnings of temporary business visitors and some other individuals are, subject to certain conditions, only to be taxed in the country of the taxpayer's residence (Articles 14 and 15). 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 16). Income derived from the activities of artistes and sportsmen may be taxed in the country in which those activities are performed (Article 17). 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, provided that the recipient is subject to tax in that country on the income concerned (Article 18). Government service remuneration and pensions are normally taxable only by the paying Government (Article 19). Payments made to students and business apprentices are, subject to certain conditions, to be exempt from tax in the country visited (Article 20). Other income not specified in the Agreement remains taxable only in the recipient's country of residence (Article 21).

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. In the case of dividends, the United Kingdom will give credit for the underlying tax paid in the Sultanate of Oman 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 22).

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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 Exchange of Notes set out in Part II of the Schedule contains agreements between the United Kingdom and the Sultanate of Oman in relation to Articles 4, 5, 7, 18, 20, 25 and 26 of the Agreement.

The Agreement will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures. The Agreement is, in general, to have effect in the United Kingdom for financial years beginning from 1st April 1996 in respect of corporation tax and for years of assessment beginning from 6th April 1996 for income tax and capital gains tax. However, certain provisions of the Agreement relating to profits, income and gains derived from ships or aircraft in international traffic are to have effect from 1st January 1979. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes*.