

**PROTOCOL AMENDING  
THE CONVENTION BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND  
THE GOVERNMENT OF THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND  
FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE  
PREVENTION OF FISCAL EVASION  
WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL GAINS,  
SIGNED AT LONDON ON 24th JULY 2001**

The Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland;

Desiring to conclude a Protocol to amend the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains, signed at London on 24 July 2001 (hereinafter referred to as “the Convention”);

Have agreed as follows:

## **ARTICLE I**

Paragraph 5 of Article 1 of the Convention shall be deleted and replaced by the following:

“5. The provisions of paragraph 4 of this Article shall not affect:

a) the benefits conferred by a Contracting State under paragraph 2 of Article 9 (Associated Enterprises), sub-paragraph b) of paragraph 1 and paragraphs 3 and 5 of Article 17 (Pensions, Social Security, Annuities, Alimony, and Child Support), paragraphs 1 and 5 of Article 18 (Pension Schemes) and Articles 24 (Relief From Double Taxation), 25 (Non-discrimination), and 26 (Mutual Agreement Procedure) of this Convention; and

b) the benefits conferred by a Contracting State under paragraph 2 of Article 18 (Pension Schemes) and Articles 19 (Government Service), 20 (Students), 20A (Teachers), and 28 (Diplomatic Agents and Consular Officers) of this Convention, upon individuals who are neither citizens of, nor have been admitted for permanent residence in, that State.”

## **ARTICLE II**

Paragraph 4 of Article 10 of the Convention shall be deleted and replaced by the following:

“4. Sub-paragraph a) of paragraph 2 and sub-paragraph a) of paragraph 3 of this Article shall not apply in the case of dividends paid by a pooled investment vehicle which is a resident of a Contracting State. Sub-paragraph b) of paragraph 2 and sub-paragraph b) of paragraph 3 of this Article shall apply in the case of dividends paid by a pooled investment vehicle, the assets of which consist wholly or mainly of shares, securities or currencies or derivative contracts relating to shares, securities or currencies. In the case of dividends paid by a pooled investment vehicle not described in the preceding sentence, sub-paragraph b) of paragraph 2 and sub-paragraph b) of paragraph 3 of this Article shall apply only if

a) the beneficial owner of the dividends is an individual or pension scheme, in either case holding an interest of not more than 10 per cent. in the pooled investment vehicle;

b) the dividends are paid with respect to a class of stock that is publicly traded and the beneficial owner of the dividends is a person holding an interest of not more than 5 per cent. of any class of the stock of the pooled investment vehicle; or

c) the beneficial owner of the dividends is a person holding an interest of not more than 10 per cent. in the pooled investment vehicle and that vehicle is diversified.”

## **ARTICLE III**

The following new Article 20A shall be inserted:

## **“ARTICLE 20A**

### **Teachers**

1. A professor or teacher who visits one of the Contracting States for a period not exceeding two years for the purpose of teaching or engaging in research at a university, college or other recognised educational institution in that Contracting State and who was immediately before that visit a resident of the other Contracting State, shall be exempted from tax by the first-mentioned Contracting State on any remuneration for such teaching or research for a period not exceeding two years from the date he first visits that State for such purpose.

2. The exemption provided in this Article may be applied by the Contracting State in which the teaching or research is performed to current payments to such professor or teacher in anticipation or fulfilment of the requirements of paragraph 1 or by way of withholding and refund, but in either case exemption shall be conditional upon fulfilment of the requirements of paragraph 1.

3. This Article shall apply to income from research only if such research is undertaken by the professor or teacher in the public interest and not primarily for the benefit of some other private person or persons.”

## **ARTICLE IV**

Sub-paragraph d) of paragraph 7 of Article 23 of the Convention shall be deleted and replaced by the following:

“d) an equivalent beneficiary is a resident of a Member State of the European Community or of a European Economic Area state or of a party to the North American Free Trade Agreement but only if that resident:

(i) A) would be entitled to all the benefits of a comprehensive convention for the avoidance of double taxation between any Member State of the European Community or a European Economic Area state or any party to the North American Free Trade Agreement and the Contracting State from which the benefits of this Convention are claimed, provided that if such convention does not contain a comprehensive limitation on benefits article, the person would be a qualified person under paragraph 2 of this Article (or for the purposes of sub-paragraph g) of paragraph 2, under the provisions specified in clause (i) of that sub-paragraph) if such person were a resident of one of the Contracting States under Article 4 (Residence) of this Convention; and

B) with respect to income referred to in Article 10 (Dividends), 11 (Interest) or 12 (Royalties) of this Convention, would be entitled under such convention to a rate of tax with respect to the particular class of income for which benefits are being claimed under this Convention that is at least as low as the rate applicable under this Convention; or

(ii) is a qualified person by reason of sub-paragraphs a), b), clause (i) of sub-paragraph c), clause (i) of sub-paragraph d), or sub-paragraph e) of paragraph 2 of this Article.

For the purposes of applying paragraph 3 of Article 10 (Dividends) in order to determine whether a person, owning shares, directly or indirectly, in the company claiming the benefits of this Convention, is an equivalent beneficiary, such person shall be deemed to hold the same voting power in the company paying the dividend as the company claiming the benefits holds in such company.”

## **ARTICLE V**

1. Paragraph 3 of Article 29 of the Convention shall be deleted and replaced by the following:

“3. a) The Convention between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains, signed at London on December 31st, 1975, as modified by subsequent notes and protocols (“the prior Convention”) shall 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 2 of this Article. In relation to tax credits in respect of dividends paid by companies which are residents of the United Kingdom, the prior Convention shall terminate and cease to be effective in respect of dividends paid on or after the first day of the second month next following the date on which this Convention enters into force.

b) Notwithstanding sub-paragraph a) of this paragraph, where any person entitled to benefits under the prior Convention would have been entitled to greater benefits thereunder than under this Convention, the prior Convention shall, at the election of such person, continue to have effect in its entirety with respect to that person for a twelve-month period from the date on which the provisions of this Convention otherwise would have effect under paragraph 2 of this Article. The prior Convention shall terminate on the last date on which it has effect in relation to any tax or to any entitlement to tax credits in accordance with the foregoing provisions of this sub-paragraph.”

2. Paragraph 4 of Article 29 of the Convention shall be deleted and paragraph 5 shall be re-numbered as paragraph 4.

## **ARTICLE VI**

1. This Protocol shall be subject to ratification in accordance with the applicable procedures of each Contracting State and instruments of ratification shall be exchanged as soon as possible.

2. This Protocol shall enter into force upon the exchange of instruments of ratification, and shall thereupon have effect in accordance with Article 29 of the Convention.

#### **ARTICLE VII**

This Protocol shall remain in force as long as the Convention remains in force.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments, have signed this Convention.

DONE at Washington, in duplicate, this 19th day of July, 2002.

FOR THE GOVERNMENT OF  
THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF  
THE UNITED KINGDOM OF  
GREAT BRITAIN AND  
NORTHERN IRELAND: