United Kingdom: 
New treaties with Barbados and Liechtenstein

Tax treaties between the UK and Barbados and the UK and Liechtenstein entered into force on 19 December 2012.

The provisions of the UK-Barbados agreement are effective in Barbados as from 1 January 2013 and in the UK as from 1 April 2013 for corporation tax and 6 April 2013 for income tax and capital gains tax. The new treaty replaces the treaty dating from 1970, which had some unusually high withholding taxes. All withholding tax rates on passive income, except for real estate investment trust dividends, are now zero.

For the UK, the withholding tax provisions in the Liechtenstein treaty apply as from 1 February 2013, and the provisions for income and capital gains tax apply as from 6 April 2013. For Liechtenstein, the treaty provisions on income and capital gains taxes apply as from 1 January 2013 and the withholding tax provisions as from 1 February 2013. Under the treaty, dividends will be exempt from withholding tax. However, where dividends are paid out of income derived directly or indirectly from immovable property by an investment vehicle that distributes most of this income annually and whose income from such immovable property is exempt from tax, in which case the rate will be 15%. Interest and royalties will be exempt.

Liechtenstein was hitherto the only country in the European Economic Area with which the UK did not have a comprehensive tax treaty. The treaty broadly follows the OECD model agreement, including the latest OECD exchange of information article, which will apply to matters not covered by the tax information exchange agreement signed in 2009. That was left in place as it provides necessary rules for the exchange of information during the period of the Liechtenstein disclosure arrangement.

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