

of double taxation." The underlying principle is that Great Britain (including Northern Ireland), on the one hand, and the Irish Free State, on the other hand, shall each exempt from its tax income arising from sources within its borders to persons who, not being resident within its borders, are resident in the other country, and that income shall be taxed only by the country in which the person entitled to the income resides.

2. This principle of the exemption of the non-resident and of taxation solely by the country of residence has already been applied in relation to certain countries in the case of income derived from shipping, under the powers conferred by section 18 of the Finance Act, 1923. Under the agreement with the Irish Free State it will be applied without restriction as to the nature of the income, so that a person resident in either Great Britain (including Northern Ireland) or the Irish Free State, but not resident in both countries, will be liable to income-tax, and to super-tax where chargeable, in his country of residence only, and will be entitled to exemption from the tax of the other country in respect of all his property situate and profits or gains arising therein.

3. Exemption from Irish Free State tax will be granted by the Irish Free State Revenue Commissioners to a person who proves to them that he is resident in Great Britain or Northern Ireland but not resident in the Irish Free State, either by the non-charging of that tax, where this course is practicable, or by repayment. The title to exemption must be proved by written declaration; the forms of declaration will be obtainable in due course from the Irish Free State Revenue Commissioners and from H.M. Inspectors of Taxes in Great Britain and Northern Ireland.

4. A person resident in Great Britain or Northern Ireland who is entitled to exemption from Irish Free State tax in respect of income from the Irish Free State on the ground of non-residence in that country will be made liable to British tax, under the proposals contained in the Finance Bill, in respect of that income whether or not it is so chargeable under existing law. Under the existing law British tax in respect of income arising abroad is in certain circumstances chargeable only on the amounts remitted to this country, but it is a necessary corollary of the exemption of the non-resident and the taxation of income by the country of residence only that all the income exempted by the country of origin should be taxed by the country of residence.

5. The double resident (*i.e.*, the person who is resident both in Great Britain, including Northern Ireland, and in the Irish Free State) is, *ex hypothesi*, not entitled to exemption from the tax of either country on the ground of non-residence, but will be liable in each as a resident. He will, however, be given double-income-tax relief by the two countries in respect of doubly taxed income to such an extent as will eliminate the lower of the two rates of tax, British and Irish Free State, at which he is liable (each country giving relief at one-half of the lower rate), and leave him ultimately to bear only the higher of the two rates.

6. Certain administrative arrangements will be made to facilitate the smooth working of the new scheme and to prevent, as far as is practicable, the initial double payment of British and Irish Free State tax on the same income without allowance for any relief due under the agreement. The principal arrangements are as follows:—

(a) *Non-deduction of British income-tax from Irish Free State Dividends, &c.*

Under the provisions of the Finance Bill, bankers and other persons in Great Britain and Northern Ireland who are now under statutory obligation to deduct British income-tax from Irish Free State dividends; &c., collected on behalf of their customers will be empowered to pay over the proceeds of the dividends without deduction of such tax, provided that they furnished to the Commissioners of Inland Revenue full particulars of the dividends and the names and addresses of the customers, in order that the customers, where liable, may be directly assessed to British income-tax in respect of the dividends. It will be for each customer to elect whether this course (which is designed to prevent the deduction of both Irish Free State and British income-tax from the dividends) should be followed, and it therefore rests with him to procure the payment of the income without deduction of British tax.

(b) *Application of Tax repayable by the Irish Free State in Satisfaction of British Tax.*

A resident in Great Britain or Northern Ireland who is entitled to repayment of Irish Free State tax on the ground of non-residence may authorize the Irish Free State Revenue Commissioners to make the repayment on his behalf direct to the Commissioners of Inland Revenue, to be applied in satisfaction of British tax due from him. The Commissioners of Inland Revenue will remit to him any excess of the repayment received by them over the British tax due.

(This arrangement also is designed to prevent the initial double payment of British and Irish Free State tax on the same income without relief, and it will not, therefore, be applicable in the case of Irish Free State dividends, &c., in respect of which the recipient has elected, notwithstanding arrangement (a), to have British income-tax deducted at the source.)

(c) *A Conjoint Office or Clearing-house.*

A conjoint office or clearing-house, in London, staffed by officers of the British and Irish Free State Inland Revenue Departments, will be established in order primarily to deal with the taxation difficulties of double residents. The double resident will be under statutory obligation to make returns to both countries, and will, subject to double-taxation relief, be taxable by both countries, as explained in paragraph 5. The clearing-house will, however, at his request, collate particulars of his taxation liabilities in the two countries, will compute the amount of double-income-tax relief due to him and his aggregate liability, after allowance of the relief, to British and Irish Free State tax, and will endeavour so to arrange any payments or repayments of the tax of either country that may be due from or to him as will prevent his having at the outset to pay in the two countries more tax than in the aggregate is found to be ultimately due.