

**MEMO# 13767**

August 10, 2001

## **UNITED STATES AND UNITED KINGDOM SIGN NEW INCOME TAX CONVENTION**

[13767] August 10, 2001 TO: ACCOUNTING/TREASURERS COMMITTEE No. 24-01  
INTERNATIONAL COMMITTEE No. 50-01 PENSION COMMITTEE No. 55-01 TAX COMMITTEE  
No. 23-01 RE: UNITED STATES AND UNITED KINGDOM SIGN NEW INCOME TAX CONVENTION  
The United States and United Kingdom signed a new income tax convention that, upon ratification by each country, will replace the existing convention which has been in effect since 1980. As described in the attached announcement by Treasury Secretary O'Neill, the newly signed convention will modernize the tax treatment of cross-border trade and investment between the United States and the United Kingdom. Among provisions of interest to US regulated investment companies (RICs) and their shareholders, the new convention provides (1) for the reciprocal recognition of pension contributions and (2) a zero rate of withholding tax for dividends received by qualifying pension funds. As under the existing convention, UK-source dividends paid to a RIC generally will be subject to withholding at a rate of 15 percent. The new convention also eliminates several provisions of the existing convention that refer to the recently-repealed UK advance corporation tax. The new convention generally will enter into effect in the year following the exchange of instruments of ratification. The withholding tax provisions will enter into effect on the first day of the second month following the exchange of instruments of ratification. Deanna J. Flores Associate Counsel Attachments Attachment no. 1 (in .pdf format)