

## CONVENTION

BETWEEN THE GOVERNMENT OF THE REPUBLIC OF LITHUANIA 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

The Government of the Republic of Lithuania and the Government of the United Kingdom of Great Britain and Northern Ireland;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital gains;

Have agreed as follows:

## ARTICLE 1

### Personal scope

This Convention shall apply to persons who are residents of one or both of the Contracting States.

## ARTICLE 2

### Taxes covered

1. This Convention shall apply to taxes on income and on capital gains imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital gains all taxes imposed on total income or on elements of income including taxes on gains from the alienation of movable or immovable property.
3. The existing taxes to which the Convention shall apply are in particular:
  - (a) in the case of Lithuania:
    - (i) the tax on profits of legal persons (juridiniu asmenu pelno mokestis); and
    - (ii) the tax on income of natural persons (fiziniu asmenu pajamu mokestis);(hereinafter referred to as "Lithuanian tax");
  - (b) in the case of the United Kingdom:
    - (i) the income tax;
    - (ii) the corporation tax; and
    - (iii) the capital gains tax;(hereinafter referred to as "United Kingdom tax").
4. The Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws.

## ARTICLE 3

### General definitions

1. For the purposes of this Convention, unless the context otherwise requires:

- (a) the term "Lithuania" means the Republic of Lithuania and, when used in the geographical sense, means the territory of the Republic of Lithuania and any other area adjacent to the territorial waters of the Republic of Lithuania within which, under the laws of the Republic of Lithuania and in accordance with international law, the rights of Lithuania may be exercised with respect to the sea bed and its sub-soil and their natural resources;
- (b) the term "United Kingdom" means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the sea bed and sub-soil and their natural resources may be exercised;
- (c) the term "national" means:
  - (i) in relation to Lithuania, any individual possessing the nationality of the Republic of Lithuania; and any legal person, partnership, association or other entity deriving its status as such from the laws in force in the Republic of Lithuania;
  - (ii) in relation to the United Kingdom, any British citizen, or any British subject not possessing the citizenship of any other Commonwealth country or territory, provided he has the right of abode in the United Kingdom; and any legal person, partnership, association or other entity deriving its status as such from the law in force in the United Kingdom;
- (d) the terms "a Contracting State" and "the other Contracting State" mean Lithuania or the United Kingdom, as the context requires;
- (e) the term "person" includes an individual, a company and any other body of persons, but subject to paragraph (2) of this Article does not include a partnership;
- (f) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
- (g) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- (h) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
- (i) the term "competent authority" means:
  - (i) in the case of Lithuania, the Minister of Finance or his authorised representative; and
  - (ii) in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative.

2. A partnership deriving its status from Lithuanian law which is treated as a taxable unit under the law of Lithuania shall be treated as a person for the purposes of this Convention.

3. As regards the application of this Convention by a Contracting State any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State concerning the taxes to which the Convention applies.

## ARTICLE 4

### Residence

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature; the term does not include any person who is liable to tax in that Contracting State in respect only of income or capital gains from sources situated therein.

2. Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status shall be determined in accordance with the following rules:

- (a) he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer (centre of vital interests);
- (b) if the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;
- (c) if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;
- (d) if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph (1) of this Article a person other than an individual is a resident of both Contracting States, the competent authorities of the Contracting States shall endeavour to settle the question by mutual agreement. In the absence of such agreement, for the purposes of the Convention, the person shall not be entitled to claim any relief or exemption from tax provided by this Convention.

## ARTICLE 5

### Permanent establishment

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term "permanent establishment" includes especially:
  - (a) a place of management;
  - (b) a branch;
  - (c) an office;
  - (d) a factory;
  - (e) a workshop; and
  - (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
3. A building site, a construction, assembly or installation project constitutes a permanent establishment only if such site or project lasts for a period of more than six months.
4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:
  - (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
  - (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
  - (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
  - (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
  - (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
  - (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e) of this paragraph, provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.
5. Notwithstanding the provisions of paragraphs (1) and (2) of this Article, where a person - other than an agent of an independent status to whom paragraph (6) of this Article applies - is

acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (4) of this Article which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, he will not be considered an agent of an independent status within the meaning of this paragraph.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

## ARTICLE 6

### Income from immovable property

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. For the purposes of this Convention property accessory to immovable property, in particular buildings, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, in particular any options or similar right to acquire immovable property, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources shall also be treated as immovable property; ships and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph (1) of this Article shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. Where the ownership of shares or other corporate rights in a company entitles the owner of such shares or corporate rights to the enjoyment of immovable property held by the company, the income from the direct use, letting, or use in any other form of such right to enjoyment may be taxed in the Contracting State in which the immovable property is situated.

5. The provisions of paragraphs (1), (3) and (4) of this Article shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

## ARTICLE 7

### Business profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.
2. Subject to the provisions of paragraph (3) of this Article, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere.
4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.
5. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.
6. Where profits include items of income or capital gains which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

## ARTICLE 8

### Shipping and air transport

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.
2. For the purposes of this Article, profits of an enterprise from the operation of ships or aircraft in international traffic include:  
or aircraft in international traffic include:
  - (a) profits from the rental on a bareboat basis of ships or aircraft; and
  - (b) profits from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise;

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft by the enterprise in international traffic.

3. The provisions of paragraphs (1) and (2) of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency, but only to so much of the profits so derived as is attributable to the participant in proportion to its share in the joint operation.

## ARTICLE 9

### Associated enterprises

1. Where

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State;

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.

## ARTICLE 10

### Dividends

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which controls directly at least 25 per cent of the voting power in the company paying the dividends;
- (b) 15 per cent of the gross amount of the dividends in all other cases.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term "dividends" as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident and also includes any other item which, under the laws of the Contracting State of which the company paying the dividend is a resident, is treated as a dividend or distribution of a company.

4. The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that other State.

6. The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the shares or other rights in respect of which the dividend is paid to take advantage of this Article by means of that creation or assignment.

## ARTICLE 11

### Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph (2) of this Article interest arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the interest and:

- (a) the payer or the recipient of the interest is the Government of a Contracting State, a political subdivision or a local authority thereof or an agency or instrumentality of that Government, political subdivision or local authority;
- (b) the interest is paid in respect of a loan made, guaranteed or insured, or any other debt-claim or credit guaranteed or insured, by the United Kingdom Export Credits Guarantee Department or by any organisation established in either Contracting State after the date of signature of this Convention which is of a similar nature (the competent authorities of the Contracting States shall by mutual agreement determine whether such organisations are of a similar nature);
- (c) (c) the interest is paid in respect of a loan made, guaranteed or insured by the Bank of England or the Bank of Lithuania (Lietuvos Bankas); or
- (d) (d) the interest is paid in respect of an indebtedness arising on the sale on credit, by an enterprise of the other Contracting State, of industrial, commercial or scientific equipment to an enterprise of the first-mentioned State, except where the sale or indebtedness is between related persons.

4. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and in the case of the United Kingdom whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. The term interest shall not include any item which is treated as a dividend under the provisions of Article 10 of this Convention.

5. The provisions of paragraphs (1), (2) and (3) of this Article shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

6. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

7. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the

last-mentioned amount of interest. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

8. The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the debt-claim in respect of which the interest is paid to take advantage of this Article by means of that creation or assignment.

## ARTICLE 12

### Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of royalties that are for the use of industrial, commercial or scientific equipment;
- (b) 10 per cent of the gross amount of royalties other than those referred to in subparagraph (a).

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, and films or tapes for television or radio broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information (know-how) concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

7. The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties are paid to take advantage of this Article by means of that creation or assignment.

## ARTICLE 13

### Capital gains

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Convention and situated in the other Contracting State may be taxed in that other State.

2. Gains derived by a resident of a Contracting State from the alienation of:

- (a) shares, other than shares quoted on an approved Stock Exchange, deriving their value or the greater part of their value directly or indirectly from immovable property situated in the other Contracting State, or
- (b) an interest in a partnership or trust the assets of which consist principally of immovable property situated in the other Contracting State, or of shares referred to in sub-paragraph (a) above,

may be taxed in that other State.

3. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

4. Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated in international traffic by that enterprise or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State.

5. Gains from the alienation of any property other than that referred to in paragraphs (1), (2), (3) and (4) of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

6. The provisions of paragraph (5) of this Article shall not affect the right of a Contracting State to levy according to its law a tax on capital gains from the alienation of any property derived by an individual who is a resident of the other Contracting State and has been a resident of the first-mentioned Contracting State at any time during the five years immediately preceding the alienation of the property.

## ARTICLE 14

### Independent personal services

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State, but only so much of the income as is attributable to that fixed base. For this purpose, where a resident of a Contracting State is present in the other Contracting State for a period or periods exceeding in the aggregate 183 days in any twelve month period commencing or ending in any fiscal year, he shall be deemed for that fiscal year to have a fixed base regularly available to him in that other State and the income that is derived from his activities referred to above that are performed in that other State shall be attributable to that deemed fixed base.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

## ARTICLE 15

### Dependent personal services

1. Subject to the provisions of Articles 16, 18, 19, 20 and 21 of this Convention, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph (1) of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned, and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State may be taxed in that State.

## ARTICLE 16

### Directors' fees

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors or any other similar organ of a company which is a resident of the other Contracting State may be taxed in that other State.

## ARTICLE 17

### Artistes and sportsmen

1. Notwithstanding the provisions of Article 14 and Article 15 of this Convention, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. The provisions of paragraphs (1) and (2) shall not apply to income derived from activities exercised in a Contracting State by an entertainer or sportsman if the visit to that State is wholly or mainly supported by public funds of the other Contracting State, or a political subdivision or local authority thereof. In such case, the income shall be taxable only in the Contracting State of which the entertainer or sportsman is a resident.

## ARTICLE 18

### Pensions

1. Subject to the provisions of paragraph (2) of Article 19 of this Convention, pensions and other similar remuneration paid in consideration of past employment to a resident of a Contracting State and any annuity paid to such a resident shall be taxable only in that State.

2. The term "annuity" means a stated sum payable to an individual periodically at stated times during his life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

## ARTICLE 19

### Government Service

1. (a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof or an agency thereof or an entity wholly owned by such State, political subdivision or local authority to an individual in respect of services rendered to that State, subdivision, authority, agency or entity shall be taxable only in that State.  
  
(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
  - (i) is a national of that State; or
  - (ii) did not become a resident of that State solely for the purpose of rendering the services.
  
2. (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof or an agency thereof or an entity wholly owned by such State, subdivision or authority to an individual in respect of services rendered to that State, subdivision, authority, agency or entity shall be taxable only in that State.
  - a. Notwithstanding the provisions of sub-paragraph (a) of this paragraph, such pension shall be taxable only in the other Contracting State if the individual is a resident of and a national of that State.
  
3. The provisions of Articles 15, 16 and 18 of this Convention shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof or an agency thereof or an entity wholly owned by such State, subdivision or authority.

## ARTICLE 20

### Students

Payments which a student or an apprentice or trainee, who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in the first-mentioned State, provided that such payments arise from sources outside that State.

## ARTICLE 21

### Professors and teachers

1. An individual who visits a Contracting State for the purpose of teaching or engaging in research at a university, college or other recognised educational institution in that Contracting State, and who is or was immediately before that visit a resident of the other Contracting State,

shall not be taxed by the first-mentioned Contracting State on remuneration for such teaching or research for a period not exceeding two years from the date of his first visit to that State for such purpose.

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

## ARTICLE 22

### Other income

1. Items of income beneficially owned by a resident of a Contracting State, wherever arising, which are not dealt with in the foregoing Articles of this Convention, other than income paid out of trusts or the estates of deceased persons in the course of administration, shall be taxable only in that State.

2. The provisions of paragraph (1) of this Article shall not apply to income, other than income from immovable property as defined in paragraph (2) of Article 6 of this Convention, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

3. Where, by the reason of a special relationship between the person referred to in paragraph (1) of this Article and some other person, or between both of them and some third person, the amount of the income referred to in that paragraph exceeds the amount (if any) which would have been agreed upon between them in the absence of such a relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such a case, the excess part of the income shall remain taxable according to the laws of each Contracting State, due regard being had to the other applicable provisions of this Convention.

(4) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the income is paid to take advantage of this Article by means of that creation or assignment.

## ARTICLE 23

### Miscellaneous rules applicable to certain Offshore Activities

1. The provisions of this Article shall apply notwithstanding any other provision of this Convention.

2. In this Article the term "offshore activities" means activities which are carried on offshore in a Contracting State in connection with the exploration or exploitation of the sea bed and sub-soil and their natural resources situated in that Contracting State.

3. An enterprise of a Contracting State which carries on offshore activities in the other Contracting State shall, subject to paragraphs (4) and (5) of this Article, be deemed to be carrying on a business in that other Contracting State through a permanent establishment situated therein.

4. The provisions of paragraph (3) of this Article shall not apply where the offshore activities are carried on in the other Contracting State for a period or periods not exceeding in the aggregate thirty days in any twelve month period. For the purpose of this paragraph:

- (a) where an enterprise of a Contracting State carrying on offshore activities in the other Contracting State is associated with another enterprise carrying on substantially similar offshore activities there, the former enterprise shall be deemed to be carrying on all such activities of the latter enterprise, except to the extent that those activities are carried on at the same time as its own activities;
- (b) an enterprise shall be regarded as associated with another enterprise if one participates directly or indirectly in the management, control or capital of the other or if the same persons participate directly or indirectly in the management, control or capital of both enterprises.

5. Subject to paragraph (6) of this Article profits derived by an enterprise of a Contracting State from the operation, in connection with offshore activities carried on in the other Contracting State, of ships or aircraft which are in their existing state designed primarily for the purpose of transporting supplies or personnel, or of tug-boats or anchor handling vessels, shall be taxable only in the State of which the enterprise is a resident.

6. The provisions of paragraph (5) of this Article shall not apply to profits derived during any period in which:

- (a) such a ship or aircraft is contracted to be used mainly for purposes other than those of transporting supplies or personnel to or between places where offshore activities are being carried on; or
- (b) a tug-boat is contracted to be used for a purpose other than that of towing; or
- (c) an anchor handling vessel is contracted to be used for a purpose other than that of anchor handling.

7. A resident of a Contracting State who carries on offshore activities in the other Contracting State, consisting of professional services or other activities of an independent character shall be deemed to be performing those activities from a fixed base in that other State.

8. Salaries, wages and other similar remuneration derived by residents of a Contracting State in respect of an employment connected with offshore activities in the other Contracting State may, to the extent that the duties are performed offshore in that other State, be taxed in that other Contracting State.

9. Gains derived by a resident of a Contracting State from the alienation of:

- (a) exploration or exploitation rights; or

- (b) property situated in the other Contracting State and used in connection with the exploration or exploitation of the sea bed and sub-soil and their natural resources situated in that other State; or
- (c) shares deriving their value or the greater part of their value directly or indirectly from such rights or such property or from such rights and such property taken together

may be taxed in that other State. In this paragraph the term "exploration or exploitation rights" means rights to assets to be produced by the exploration or exploitation of the sea bed and sub-soil and their natural resources in the other Contracting State, including rights to interest in or to the benefit of such assets.

## ARTICLE 24

### Elimination of double taxation

1. (a) Where a resident of Lithuania derives income or capital gains which in accordance with this Convention, may be taxed in the United Kingdom, unless a more favourable treatment is provided in its domestic law, Lithuania shall allow as a deduction from the tax on the income of that resident, an amount equal to the United Kingdom income tax, corporation tax or capital gains tax paid thereon in the United Kingdom.

Such deduction shall not, however, exceed that part of the tax in Lithuania as computed before the deduction is given, which is attributable as the case may be, to the income or capital gains which may be taxed in the United Kingdom.

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- (b) For the purpose of sub-paragraph (a) of this paragraph, where a company that is a resident of Lithuania receives a dividend from a company that is a resident of the United Kingdom in which it owns at least 10 per cent of its shares having full voting rights, the tax paid in the United Kingdom shall include not only the tax paid on the dividend, but also the tax paid on the underlying profits of the company out of which the dividend was paid.

2. Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof):

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- (a) Lithuanian tax payable under the laws of Lithuania and in accordance with this Convention, whether directly or by deduction, on profits, income or chargeable gains from sources within Lithuania (excluding in the case of a dividend, tax payable in Lithuania in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which the Lithuania tax is computed;
- (b) in the case of a dividend paid by a company which is a resident of Lithuania to a company which is a resident of the United Kingdom and which controls directly

or indirectly at least 10 per cent of the voting power in the company paying the dividend, the credit shall take into account (in addition to any Lithuanian tax for which credit may be allowed under the provisions of sub-paragraph (a) of this paragraph) the Lithuanian tax payable by the company in respect of the profits out of which such dividend is paid.

3. For the purposes of paragraphs (1) and (2) of this Article, profits, income and capital gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Convention, shall be deemed to arise from sources in that other Contracting State.

## ARTICLE 25

### Limitation of relief

1. Where under any provision of this Convention any income is relieved from tax in a Contracting State and, under the law in force in the other Contracting State a person, in respect of that income, is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the relief to be allowed under this Convention in the first-mentioned Contracting State shall apply only to so much of the income as is taxed in the other Contracting State.

2. Notwithstanding the provisions of any other Article of this Convention, a resident of a Contracting State who, as a consequence of domestic law concerning incentives to promote foreign investment, is not subject to tax or is subject to tax at a reduced rate in that Contracting State on income or capital gains, shall not receive the benefit of any reduction in or exemption from tax provided for in this Convention by the other Contracting State if the main purpose or one of the main purposes of such resident or a person connected with such resident was to obtain the benefits of this Convention.

## ARTICLE 26

### Partnerships

Where, under any provision of this Convention, a partnership is entitled, as a resident of Lithuania, to exemption from tax in the United Kingdom on any income or capital gains, that provision shall not be construed as restricting the right of the United Kingdom to tax any member of the partnership who is a resident of the United Kingdom on his share of such income or capital gains; but any such income or capital gains shall be treated for the purposes of Article 24 of this Convention as income or gains from sources in Lithuania.

## ARTICLE 27

### Non-discrimination

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

2. Stateless persons who are residents of a Contracting State shall not be subjected in either Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of the State concerned in the same circumstances are or may be subjected.
3. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.
4. Except where the provisions of paragraph (1) of Article 9, paragraph (7) or (8) of Article 11, paragraph (6) or (7) of Article 12 or paragraph (3) or (4) of Article 22 of this Convention apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.
5. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.
6. Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.
7. The provisions of this Article shall apply to the taxes which are the subject of this Convention.

## ARTICLE 28

### Mutual agreement procedure

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph (1) of Article 27 of this Convention, to that of the Contracting State of which he is a national.
2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention.
3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

## ARTICLE 29

### Exchange of information

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is not contrary to this Convention, in particular, to prevent fraud and to facilitate the administration of statutory provisions against legal avoidance. The exchange of information is not restricted by Article 1 of this Convention. Any information received by a Contracting State shall be treated as secret and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph (1) of this Article be construed so as to impose on the competent authority of either Contracting State the obligation:

- (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- (b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy.

## ARTICLE 30

### Members of diplomatic or permanent missions and consular posts

Nothing in this Convention shall affect the fiscal privileges accorded to members of diplomatic or permanent missions or consular posts under the general rules of international law or under the provisions of special agreements.

## ARTICLE 31

### Entry into force

The Governments of each of the Contracting States shall notify to the other through diplomatic channels the completion of the procedures required by law for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

- (a) in Lithuania:

- (i) in respect of taxes withheld at source, on income derived on or after the first day of January in the calendar year next following the year in which the Convention enters into force;
  - (ii) in respect of other taxes, for taxes chargeable for any tax year beginning on or after the first day of January in the calendar year next following the year in which the Convention enters into force;
- (b) in the United Kingdom:
  - (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the Convention enters into force;
  - (ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the Convention enters into force.

## ARTICLE 32

### Termination

This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year. In such event, the Convention shall cease to have effect:

- (a) in Lithuania:
  - (i) in respect of taxes withheld at source, on income derived on or after the first day of January in the calendar year next following the year in which the notice is given;
  - (ii) in respect of other taxes, for taxes chargeable for any tax year beginning on or after the first day of January in the calendar year next following the year in which the notice is given;
- (b) in the United Kingdom:
  - (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the notice is given;
  - (ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the notice is given.

In witness whereof the undersigned, duly authorised thereto, have signed this Convention.

Done in duplicate at Vilnius this 19 day of March 2001 in the Lithuanian and the English languages, both texts being equally authentic.

For the Government of  
the Republic of Lithuania

For the Government of  
the United Kingdom of  
Great Britain and Northern Ireland

## EXCHANGE OF NOTES

Excellency

Vilnius  
19 March 2001

I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Lithuania for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which has been signed today and to make on behalf of the Government of the United Kingdom of Great Britain and Northern Ireland the following proposals for the purpose of applying:

1. Article 2(3)(a)

The United Kingdom takes note of the fact that the existing taxes as listed in the Convention are subject to a substantial programme of reform and wherever it is not possible to agree that a particular new tax satisfies the conditions of paragraph (4) of this Article the United Kingdom is ready to negotiate an amending Protocol to the Convention without delay.

2. Article 4(3)

Where a person other than an individual is a resident of both Contracting States and the competent authorities of the Contracting States endeavour to determine its status by mutual agreement, they shall have regard to such factors as the place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors.

3. Article 5(6)

The Contracting States agree that:

- (i) the second sentence of paragraph (6) shall not apply unless conditions have been made or imposed between the agent and the enterprise in their commercial or financial relations which differ from those which would have been made or imposed had the activities of the agent not been devoted wholly or almost wholly on behalf of the enterprise; and
- (ii) in considering whether the activities are devoted wholly or almost wholly on behalf of that enterprise, the Contracting States shall have regard to any relevant factors during any 12 month period commencing or ending in the fiscal year concerned. In particular, if the relevant activities are devoted wholly or almost wholly on behalf of that enterprise for a period exceeding 9 months within that period of 12 months, they will be considered to have been so devoted in that fiscal year.

4. Article 6(3)

The Contracting States understand that all income and gains arising from the alienation of immovable property in a Contracting State may be taxed in that Contracting State in accordance with Article 13 of this Convention.

5. Article 7(3)

In determining the profits of a permanent establishment, it is understood that expenses to be allowed as deductions by a Contracting State include only expenses that are deductible under the domestic laws of that State.

6. Article 12

The Contracting States agree that where Lithuania agrees to a lower rate of tax than 5 per cent in respect of the royalties specified in paragraph (2)(a) of Article 12 or 10 per cent in respect of any other royalties in any Convention between Lithuania and a third State which is a member of the Organisation for Economic Co-operation and Development at the date of signature of this Convention, and that Convention enters into force either before or after the date of entry into force of this Convention, the competent authority of Lithuania shall notify the competent authority of the United Kingdom of the terms of the relevant paragraph in the Convention with that third State immediately after the entry into force of that Convention and such lower rate of tax shall be substituted in Article 12 of this Convention for 5 per cent in respect of the royalties specified in paragraph (2)(a) or 10 per cent in respect of any other royalties with effect from the date of entry into force of that Convention, or of this Convention, whichever is the later.

7. Article 25(2)

It is understood that incentives to promote foreign investment shall not include incentives promoting only domestic investment.

If the foregoing proposals are acceptable to the Government of the Republic of Lithuania, I have the honour to suggest that the present Note and Your Excellency's reply to that effect should be regarded as constituting an agreement between the two Governments in this matter, which shall enter into force at the same time as the entry into force of the Convention.

I take this opportunity to renew to Your Excellency the assurance of my highest consideration.

Excellency

Vilnius  
19 March 2001

I am in receipt of your note dated 19 March 2001 which states as follows:

“Excellency

I have the honour to refer to the Convention between the Government of the United Kingdom of the Great Britain and Northern Ireland and the Government of the Republic of Lithuania for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which has been signed today and to make on behalf of the Government

of the United Kingdom of Great Britain and Northern Ireland the following proposals for the purpose of applying:

1. 1. Article 2(3)(a)

The United Kingdom takes note of the fact that the existing taxes as listed in the Convention are subject to a substantial programme of reform and wherever it is not possible to agree that a particular new tax satisfies the conditions of paragraph (4) of this Article the United Kingdom is ready to negotiate an amending Protocol to the Convention without delay.

2. 2. Article 4(3)

Where a person other than an individual is a resident of both Contracting States and the competent authorities of the Contracting States endeavour to determine its status by a mutual agreement, they shall have regard to such factors as the place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors.

3. 3. Article 5(6)

The Contracting States agree that:

- (i) (i) the second sentence of paragraph (6) shall not apply unless conditions have been made or imposed between the agent and the enterprise in their commercial or financial relations which differ from those which would have been made or imposed had the activities of the agent not been devoted wholly or almost wholly on behalf of the enterprise; and
- (ii) (ii) in considering whether the activities are devoted wholly or almost wholly on behalf of that enterprise, the Contracting States shall have regard to any relevant factors during any 12 month period commencing or ending in the fiscal year concerned. In particular, if the relevant activities are devoted wholly or almost wholly on behalf of that enterprise for a period exceeding 9 months within that period of 12 months, they will be considered to have been so devoted in that fiscal year.

4. Article 6(3)

The Contracting States understand that all income and gains arising from the alienation of immovable property in a Contracting State may be taxed in that Contracting State in accordance with Article 13 of this Convention.

5. Article 7(3)

In determining the profits of a permanent establishment, it is understood that expenses to be allowed as deductions by a Contracting State include only expenses that are deductible under the domestic laws of that State.

6. Article 12

The Contracting States agree that where Lithuania agrees to a lower rate of tax than 5 per cent in respect of the royalties specified in paragraph (2)(a) of Article 12 or 10 per cent in respect of any other royalties in any Convention between Lithuania and a third State which is a member of the Organisation for Economic Co-operation and Development at the date of signature of this Convention, and that Convention enters into force either before or after the date of entry into force of this Convention, the competent authority of Lithuania shall notify the competent authority of the United Kingdom of the terms of the relevant paragraph in the Convention with that third State immediately after the entry into force of that Convention and such lower rate of tax shall be substituted in Article 12 of this Convention for 5 per cent in respect of the royalties specified in paragraph (2)(a) or 10 per cent in respect of any other royalties with effect from the date of entry into force of that Convention, or of this Convention, whichever is the later.

7. Article 25(2)

It is understood that incentives to promote foreign investment shall not include incentives promoting only domestic investment.

If the foregoing proposals are acceptable to the Government of the Republic of Lithuania, I have the honour to suggest that the present Note and Your Excellency's reply to that effect should be regarded as constituting an agreement between the two Governments in this matter, which shall enter into force at the same time as the entry into force of the Convention."

The foregoing proposals being acceptable to the Government of the Republic of Lithuania, I have the honour to confirm Your Excellency's Note and this reply shall be regarded as constituting an agreement between the two Governments in this matter which shall enter into force at the same time as the entry into force of the Convention.

I take this opportunity to renew to Your Excellency the assurance of my highest consideration.