

MEMORANDUM OF UNDERSTANDING

**BETWEEN THE COMPETENT AUTHORITIES OF
THE UNITED KINGDOM AND THE FAROES**

**CONCERNING ASSISTANCE IN THE COLLECTION OF TAXES UNDER
ARTICLE 27 OF THE DOUBLE TAXATION CONVENTION BETWEEN THE
UNITED KINGDOM AND THE FAROES WITH RESPECT TO TAXES ON
INCOME AND ON CAPITAL GAINS**

AND

**ARTICLES 11 TO 16 OF THE JOINT COUNCIL OF EUROPE AND OECD
CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX
MATTERS**

The undersigned competent authorities have reached the following understanding concerning the procedures that will apply to mutual assistance in the collection of taxes under Article 27 of the Double Taxation Convention between the United Kingdom and the Faroes with respect to taxes on income and on capital gains (hereafter "the Double Taxation Convention") and under the joint Council of Europe and OECD Convention on mutual administrative assistance in tax matters (hereafter "the CoE/OECD Convention") concerning revenue claims arising within the respective States.

COMPETENT AUTHORITIES

Requests for assistance and related correspondence will be sent to:

1. In the United Kingdom :

HM Revenue & Customs
Debt Management
Mutual Assistance in the Recovery of Debt (MARD)
Centenary Court
1 St Blaise Way
Bradford
BD1 4WY
United Kingdom

2. In the Faroes :

The Inland Revenue Department
Recovery Unit
P.O. Box 2151
FO-100 Torshavn
The Faroes

DOCUMENTATION THAT SHOULD ACCOMPANY A REQUEST

The following documentation will accompany a request for assistance:

1. An official copy of the instrument permitting enforcement. In the case of requests
 - by the United Kingdom, this will consist of a stamped and signed certificate of debt;
 - by the Faroes, this will consist of a stamped and signed certificate of debt.
2. A declaration confirming that:
 - The revenue claim is enforceable under the laws of the applicant State
 - The revenue claim is owed by a person who cannot, under the law of the applicant State, prevent its collection
 - The applicant State has pursued all reasonable means available in its own territory to collect the claim
 - The revenue claim concerns taxes covered by one or both of the Double Taxation Convention or the COE/OECD Convention
 - The request is in conformity with the laws and administrative practices of the applicant State
 - The information in the request and in the attached documents is correct.

LANGUAGE

1. Requests for assistance, the instrument permitting enforcement, and any other relevant document addressed to the requested State will be drawn up in English.
2. All information and particulars communicated to the applicant State by the requested State in relation to a request for assistance will be drawn up in English.

MINIMUM AMOUNT

The requested State will not request or provide assistance if the revenue claim (whether a single claim or a consolidated claim) is less than £5,000 or the Faroes currency equivalent (Danish Krone) including interest and costs at the time of request.

CURRENCY AND EXCHANGE RATES

1. The applicant State will express the amount of the claim to be recovered in the currency of the applicant State and the currency of the requested State.

2. The exchange rate to be used will be the latest selling rate quoted on the most representative exchange market or markets in the applicant State on the date when the request for assistance is made.
3. All exchange rates gains or losses will be borne by the applicant State.

YEARS COVERED

Requests for assistance can be made in respect of tax claims that were finally determined before the entry into force of the Double Taxation Convention between the United Kingdom and the Faroes .

TIME LIMITS

1. The time limits beyond which a claim may no longer be collected are governed by the law of the applicant State.

OLD CLAIMS

1. The requested State is not obliged to comply with a request for assistance if the revenue claim is more than five years old.
2. The start date for the purposes of calculating the period of five years will be:
 - (a) where a foreign claim is not contested, the date the instrument permitting enforcement was established by the applicant State in accordance with the law in force in that State;
 - (b) where a foreign claim is contested, the date upon which the applicant State establishes that the claim or instrument permitting recovery is no longer contested.
3. Notwithstanding paragraph 1 above, the competent authority of the requested State may agree to provide assistance with respect to a revenue claim which is more than five years old if the circumstances so warrant, for example because the debt arises from fraud.

CALCULATION OF INTEREST

1. An applicant claim carries interest in respect of the principal and any penalty claimed at the rate applicable to a corresponding claim in the requested State.
2. In the UK this is the rate applicable a claim for income tax under section 178 of the Finance Act 1989 from the date of recognition until payment. "The date of recognition" means the earlier of-

(a) the day following the expiry of three months from the date of receipt by HMRC of the request for recovery of the foreign claim; and

(b) the date the instrument permitting enforcement of the foreign claim is recognized as an instrument authorizing enforcement of the claim in the United Kingdom.

3. In the Faroes this is the rate applicable a claim for income tax under Chapter 6 of the Income Tax Law 1983 from the date of recognition until payment. "The date of recognition" means the date the instrument permitting enforcement of the foreign claim is recognized as an instrument authorizing enforcement of the claim in the Faroes.

COSTS OF COLLECTION

1. The United Kingdom and the Faroes renounce all claims on each other for the refund of costs resulting from assistance which they grant each other.

2. If the requested State anticipates that disproportionate costs may be incurred in providing assistance, it will inform the competent authority of the applicant State and indicate the estimated amount of such costs. The competent authorities will consult with each other regarding the procedure to be followed in these circumstances.

3. The applicant State remains liable to the requested State for any costs and losses incurred as a result of actions held to be unfounded, as far as either the substance of the claim or the validity of the instrument issued by the applicant State are concerned.

TRANSFER OF PAYMENTS TO THE APPLICANT STATE

1. Any sum recovered by the requested State, including where applicable the interest, will be transferred to the applicant State. The United Kingdom will make payments to the Faroes in sterling. The Faroes will make payments to the United Kingdom in Danish Krone.

2. The transfer will take place within one month of the date on which recovery was affected.

3. Payments should be transferred to a point designated by the requesting State.

DEFERRAL, PAYMENT BY INSTALMENTS AND WAIVER OF CLAIMS

1. The requested State has responsibility for consideration and acceptance of deferral and payment by instalments.

2. Subject to paragraph 3 below, the requested State will not accept a compromise of the claim or remit or waive the claim in part or in full without first consulting the applicant State.

3. The requested State may cease collection of a foreign claim where:

(a) the taxpayer has been granted a debt settlement arrangement under the law of the requested State; or

(b) the taxpayer is a company that is in liquidation or administration due to insolvency.

POTENTIAL MODIFICATIONS TO THE REQUEST

1. Upon receipt by the requested State, in writing or in electronic form, of a notification by the applicant State of an amendment to the amount of the revenue claim, where that amendment leads to a reduction in the amount of the claim, the requested State will continue action to recover the claim but such action will be limited to the amount still outstanding.

2. If at the time the requested State is informed of the reduction in the amount of the claim, an amount exceeding the amount still outstanding has already been received, but the transfer procedure has not yet been initiated, the requested State will repay the amount overpaid to the person entitled thereto.

3. Upon receipt by the requested State, in writing or in electronic form, of a notification by the applicant State of an amendment to the amount of the revenue claim, where that amendment leads to an increase in the amount of the claim, then:

(a) the additional request will as far as possible be dealt with by the requested State at the same time as the original request;

(b) where, in view of the requested State, consolidation of the additional request with the original request is not possible, the requested State will be required to comply with the additional request only if it concerns an amount not less than the minimum amount referred to above.

UNCOLLECTIBLE CLAIMS

When the competent authority of the requested State determines that a revenue claim is uncollectible, the competent authority will return the request with a report, providing details on why the claim is uncollectible.

WITHDRAWAL OF A REQUEST

Upon receipt of notice from the applicant State as to:

(a) payment in satisfaction of that claim; or

(b) cancellation or any other reason for termination of that claim;



the requested State will cease any enforcement action in relation to that claim. The competent authority of the requested State will acknowledge, in writing, the withdrawal of the request.

FEEDBACK AND MEASURING EFFECTIVENESS

The competent authorities may consult with each other at any time with the aim of ensuring effective implementation of this Memorandum.

EFFECTIVE DATE AND MODIFICATIONS

1. This Memorandum becomes effective upon signature.
2. This Memorandum may be modified at any time by agreement between the competent authorities.

For the competent authority of the United Kingdom:	For the competent authority of the Faroes:
 Andrew Dawson Head of Tax Treaty Team	 Jákup Eyðfinn Kjærbo Director
Date: 20 July 2011	Date: 21 July 2011