



London, 17 April 2013

Dear Assistant Chief Minister,

I have the honour to refer to the Convention between the Government of the Grand Duchy of Luxembourg and the Government of Jersey for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on Income and Capital, signed at London on 17 April 2013 (the "Convention") and to propose on behalf of the Government of the Grand Duchy of Luxembourg the following understanding:

It is understood that Jersey source dividend income will be exempt from Luxembourg tax provided the Luxembourg company owns at least 10% of the capital of the Jersey company at the beginning of the accounting year and provided the Jersey company is subject to tax at a rate of at least 10,5%. The rate of 10,5% is based on the current interpretation in Luxembourg that an income tax rate corresponding to that in Luxembourg is 50% of the prevailing corporate tax rate, which is currently 21%. This is publicly stated and cannot be varied. As a result the only Jersey entities in respect of which such an exemption would apply would be those subject to tax at 20%, at present being utility companies and those with property income. Any future reduction in Luxembourg tax to 20% or below would result in Jersey financial services companies which are currently subject to tax at 10% falling within this exemption.

In that case, or if Luxembourg interprets in a different manner the interpretation of what a corresponding tax to a Luxembourg tax comprises so that dividends paid from companies subject to Jersey tax at a rate lower than 10,5% become eligible for the exemption from Luxembourg tax, then Jersey would agree to exempt dividends flowing from Luxembourg to Jersey in all cases provided the Jersey company owns at least 10% of the capital of the Luxembourg company at the beginning of the accounting year.

If the foregoing understanding meets with the approval of the Government of Jersey, I have the further honour to propose that this Note and your affirmative Note in reply shall constitute an agreement between our Governments which shall become an integral part of the Convention on the date of entry into force of the Convention.

Please accept, Your Excellency, the expression of my highest consideration.

Béatrice Kirsch
Chargé d'Affaires a.i.

His Excellency Senator Sir Philip Bailhache
Assistant Chief Minister
Chief Minister's Department
St Helier, Jersey JE4 8QT