

## **AGREEMENT**

### **pursuant to paragraph 3 of Article 26 of the UK/Germany Double Taxation Convention**

Having regard to paragraph 3 of Article 26 of the Convention of 30 March 2010 between the Federal Republic of Germany and 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 – hereinafter referred to as the “Convention” – the competent authorities of both Contracting States have agreed the following concerning the taxation of severance (termination) payments made by employers resident in one of the Contracting States to former employees who are now resident in the other State:

(1) The allocation of the right to tax severance payments made to employees shall depend on the economic background to the payment in question. Where a payment is of a provident nature, it shall, under paragraph 1 of Article 17 of the Convention, be taxable only in the recipient’s State of residence.

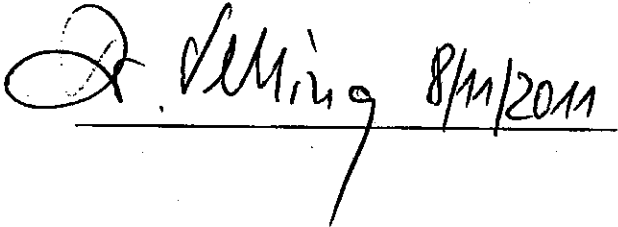
(2) Where, however, the severance payment consists of a back-payment of wages, salary or other remuneration and is made within the scope of a contract of employment, or where the severance payment is granted in general for the dissolution of the contract of employment, such payment may, under paragraph 2 of Article 14 of the Convention, be taxed in the Contracting State in which the activity was exercised. In the event that the employee exercised the activity partly in the Contracting State of which he was then a resident or in the territory of third countries and partly in the other State in the period before the contract of employment was dissolved, the severance payment may also be taxed in that other State, but only the proportion of the payment that the length of service in that other State bears to the whole length of service before the date that the employment was dissolved. The competent authorities may, if appropriate, agree an alternative apportionment on a case by case basis.

(3) This Agreement shall not apply to the items of income dealt with in paragraph 1 of Article 18 of the Convention.

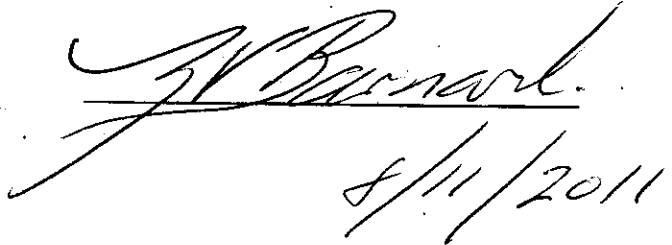
(4) This Agreement shall enter into force on the day following the signature thereof. The date of the last signature shall determine such entry into force. The Agreement is to be applied in all unresolved cases.

(5) If the Convention is replaced by a new convention which contains rules identical in substance concerning the taxation of income from employment, the present Agreement shall apply mutatis mutandis to that new convention.

For the Federal Ministry of Finance,  
Federal Republic of Germany

  
8/11/2011

For Her Majesty's Revenue & Customs,  
United Kingdom of Great Britain and  
Northern Ireland

  
8/11/2011