

**SYNTHESISED TEXT OF**  
**THE MULTILATERAL CONVENTION TO IMPLEMENT TAX TREATY RELATED MEASURES TO PREVENT**  
**BASE EROSION AND PROFIT SHIFTING**

**AND**

**THE CONVENTION BETWEEN THE KINGDOM OF THE NETHERLANDS AND CANADA FOR THE**  
**AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO**  
**TAXES ON INCOME AND ON CAPITAL**

**General disclaimer on this Synthesised text document**

This document presents the synthesised text for the application of the Convention between the Kingdom of the Netherlands and Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, and Protocol signed on 27 May 1986 as amended by the Protocols signed on 4 March 1993 and 25 August 1997 (the "Convention"), as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "MLI") signed by the Netherlands and Canada on 7 June 2017.

The document was prepared on the basis of the MLI position of the Netherlands submitted to the Depository upon acceptance on 29 March 2019 and of the MLI position of Canada submitted to the Depository upon ratification on 29 August 2019. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on the Convention.

The authentic legal texts of the Convention and the MLI remain the only legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of this document in the context of the relevant provisions of the Convention. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the OECD Model Tax Convention (as updated on 21 November 2017).

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as "Covered Tax Agreement" and "Convention", "Contracting Jurisdictions" and "States"), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention: descriptive language has been replaced by legal references of the existing provisions to ease the readability.

In all cases, references made to the provisions of the Convention or to the Convention must be understood as referring to the Convention as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.

**References**

- [Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting](#) (provides the authentic legal texts of the MLI).
- [Convention between the Kingdom of the Netherlands and Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital](#).
- [Signatories and parties to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting](#) (provides the MLI position of the Netherlands submitted to the Depository upon acceptance on 29 March 2019 and the MLI position of Canada submitted to the Depository upon ratification on 29 August 2019).

### **Entry into Effect of the MLI Provisions**

The provisions of the MLI applicable to this Convention do not take effect on the same dates as the original provisions of the Convention. Each of the provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by the Netherlands and Canada in their MLI positions.

#### Dates of the deposit of instruments of ratification, acceptance or approval:

29 March 2019 for the Netherlands and 29 August 2019 for Canada.

#### Entry into force of the MLI:

1 July 2019 for the Netherlands and 1 December 2019 for Canada.

#### Entry into effect of the MLI provisions:

In accordance with paragraph 1 of Article 35 of the MLI, the provisions of the MLI (other than Article 16 (Mutual Agreement Procedure) and Part VI (Arbitration)) have effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2020; and
- b) with respect to all other taxes levied by each State, for taxes levied with respect to taxable periods beginning on or after 1 June 2020.

In accordance with paragraph 4 of Article 35 of the MLI, Article 16 of the MLI (Mutual Agreement Procedure) has effect with respect to this Convention for a case presented to the competent authority of a State on or after 1 December 2019, except for cases that were not eligible to be presented as of that date under the Convention prior to its modification by the MLI, without regard to the taxable period to which the case relates.

In accordance with paragraph 1 of Article 36 of the MLI, the provisions of Part VI (Arbitration) of the MLI shall have effect with respect to this Convention:

- a) with respect to cases presented to the competent authority of a State (as described in subparagraph a) of paragraph 1 of Article 19 (Mandatory Binding Arbitration) of the MLI), on or after 1 December 2019; and
- b) with respect to cases presented to the competent authority of a State prior to 1 December 2019, on the date when both States have notified the Depository that they have reached mutual agreement pursuant to paragraph 10 of Article 19 of the MLI, along with information regarding the date or dates on which such cases shall be considered to have been presented to the competent authority of a State (as described in subparagraph a) of paragraph 1 of Article 19 of the MLI) according to the terms of that mutual agreement.

**Convention between the Kingdom of the Netherlands and Canada for the avoidance of double taxation  
and the prevention of fiscal evasion with respect to taxes on income**

The Government of the Kingdom of the Netherlands

and

The Government of Canada,

Desiring to replace by a new convention the existing Convention between the Government of the Kingdom of the Netherlands and the Government of Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed at Ottawa on 2 April 1957, as modified by the Supplementary Convention signed at Ottawa on 28 October 1959 and as further modified by the Supplementary Convention signed at Ottawa on 3 February 1965;

*The following paragraph 1 of Article 6 of the MLI is included in the preamble of this Convention:*

**ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT**

Intending to eliminate double taxation with respect to the taxes covered by this Convention without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the Convention for the indirect benefit of residents of third jurisdictions),

Have agreed as follows:

**CHAPTER I. SCOPE OF THE CONVENTION**

**Article 1. Personal scope**

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

**Article 2. Taxes covered**

1. This Convention shall apply to taxes on income imposed on behalf of each of the States, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.
3. The existing taxes to which the Convention shall apply are in particular:
  - (a) in Canada:
    - the income taxes imposed by the Government of Canada, (hereinafter referred to as "Canadian tax");
  - (b) in the Netherlands:
    - the income tax (de inkomstenbelasting),
    - the wages tax (de loonbelasting),
    - the company tax (de vennootschapsbelasting), including the Government share in the net profits of the exploitation of natural resources levied pursuant to the Mining Act 1810 (Mijnwet 1810) with respect to concessions issued from 1967, or pursuant to the Netherlands Continental Shelf Mining Act of 1965 (Mijnwet Continentaal Plat, 1965),
    - the dividend tax (de dividendbelasting), (hereinafter referred to as "Netherlands tax").
4. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. The States or the competent authorities of the States shall notify each other of any substantial changes which have been made in their respective taxation laws.

## CHAPTER II. DEFINITIONS

### Article 3. General definitions

1. For the purposes of this Convention, unless the context otherwise requires:
  - (a) the term "State" means Canada or the Netherlands, as the context requires; the term "States" means Canada and the Netherlands;
  - (b) the term "Canada" used in a geographical sense, means the territory of Canada, including any area beyond the territorial seas of Canada which, under the laws of Canada and in accordance with international law, is an area within which Canada may exercise rights with respect to the sea-bed and sub-soil and their natural resources;
  - (c) the term "the Netherlands" means the part of the Kingdom of the Netherlands that is situated in Europe and the part of the sea-bed and its sub-soil under the North Sea, over which the Kingdom of the Netherlands has sovereign rights in accordance with international law;
  - (d) the term "person" includes an individual, a company and any other body of persons, and in the case of Canada an estate and a trust;
  - (e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
  - (f) the terms "enterprise of one of the States" and "enterprise of the other State" mean respectively an enterprise carried on by a resident of one of the States and an enterprise carried on by a resident of the other State;
  - (g) the term "international traffic" means any voyage of a ship or aircraft operated by an enterprise which has its place of effective management in one of the States to transport passengers or property except where the principal purpose of the voyage is to transport passengers or property between places within the other State;
  - (h) the term "national" means:
    1. any individual possessing the nationality of one of the States;
    2. any legal person, partnership and association deriving its status as such from the laws in force in one of the States;
  - (i) the term "competent authority" means:
    1. in the case of Canada, the Minister of National Revenue or his authorized representative;
    2. in the Netherlands, the Minister of Finance or his authorized representative.
2. As regard the application of the Convention by a State any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Convention applies.

### Article 4. Resident

1. For the purposes of this Convention, the term "resident of one of the States" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both States, then his status shall be determined as follows:
  - (a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);
  - (b) if the 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 State, he shall be deemed to be a resident of the State in which he has an habitual abode;
  - (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;
  - (d) if he is a national of both States or of neither of them, the competent authorities of the States shall settle the question by mutual agreement.
3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both States, the competent authorities of the States shall endeavour to settle the question by mutual agreement having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall be deemed not to be a resident of either State for the purposes of Articles 6 to 21 inclusive and Articles 23 and 24.

*The following paragraph 1 of Article 4 of the MLI replaces paragraph 3 of Article 4 of this Convention:*

## ARTICLE 4 OF THE MLI – DUAL RESIDENT ENTITIES

Where by reason of the provisions of the Convention a person other than an individual is a resident of both States, the competent authorities of the States shall endeavour to determine by mutual agreement the State of which such person shall be deemed to be a resident for the purposes of the Convention, having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall not be entitled to any relief or exemption from tax provided by the Convention except to the extent and in such manner as may be agreed upon by the competent authorities of the States.

### 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 or construction or installation project constitutes a permanent establishment only if it lasts more than twelve 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 subparagraphs (a) to (e), 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, where a person - other than an agent of an independent status to whom paragraph 6 applies - is acting on behalf of an enterprise and has, and habitually exercises, in one of the States an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that 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 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 one of the States 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.
7. The fact that a company which is a resident of one of the States controls or is controlled by a company which is a resident of the other 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.

## CHAPTER III. TAXATION OF INCOME

### Article 6. Income from immovable property

1. Income derived by a resident of one of the States from immovable property (including income from agriculture or forestry) situated in the other State may be taxed in that other State.
2. For the purposes of this Convention, the term "immovable property" shall have the meaning which it has under the law of the State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, 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; ships, boats and aircraft shall not be regarded as immovable property.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 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 one of the States shall be taxable only in that State unless the enterprise carries on business in the other State through a permanent establishment situated therein. If the enterprise carries on or has carried 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, where an enterprise of one of the States carries on business in the other State through a permanent establishment situated therein, there shall in each 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 the determination of the profits of a permanent establishment situated in one of the States, there shall be allowed as deductions expenses of the enterprise (other than expenses which would not be deductible under the law of that State if the permanent establishment were a separate enterprise) which are incurred for the purposes of the permanent establishment including executive and general administrative expenses, whether incurred in the 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 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. Notwithstanding the provisions of Articles 7 and 12, profits from the operation of ships or aircraft in international traffic shall be taxable only in the State in which the place of effective management of the enterprise is situated.
2. For the purposes of this Convention, profits derived by an enterprise of one of the States from the operation of ships or aircraft in international traffic include profits from:
  - (a) the rental of ships or aircraft operated in international traffic;
  - (b) the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used in international traffic; and
  - (c) the rental of ships, aircraft or containers (including trailers and related equipment for the transport of containers) provided that such profits are incidental to profits referred to in paragraph 1, or subparagraphs (a) or (b) of this paragraph.
3. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the State of which the operator of the ship is a resident.

4. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

#### **Article 9. Associated enterprises**

1. Where

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

It is understood, however, that the fact that associated enterprises have concluded arrangements, such as cost-sharing arrangements or general services agreements, for or based on the allocation of executive, general administrative, technical and commercial expenses, research and development expenses and other similar expenses, is not in itself a condition as meant in the preceding sentence.

2. Where one of the States includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other 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.
3. A State shall not change the profits of an enterprise in the circumstances referred to in paragraph 1 after the expiry of the time limits provided in its national laws and, in any case, after six years from the end of the year in which the profits which would be subject to such change would have accrued to an enterprise of that State. However, the provisions of the preceding sentence shall not apply in the case of fraud or willful default.

#### **Article 10. Dividends**

1. Dividends paid by a company which is a resident of one of the States to a resident of the other State may be taxed in that other State.
2. However, such dividends may also be taxed in the 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 (other than a partnership) that owns at least 25 per cent of the capital of, or that controls directly or indirectly at least 10 per cent of the voting power in, the company paying the dividends;
  - b) notwithstanding subparagraph a), 10 per cent of the gross amount of the dividends if the dividends are paid by a non-resident-owned investment corporation that is a resident of Canada to a beneficial owner that is a company (other than a partnership) that is a resident of the Netherlands and that owns at least 25 per cent of the capital of, or that controls directly or indirectly at least 10 per cent of the voting power in, the company paying the dividends; and

*The following paragraph 1 of Article 8 of the MLI applies to subparagraphs a) and b) of paragraph 2 of Article 10 of this Convention:*

#### **ARTICLE 8 OF THE MLI – DIVIDEND TRANSFER TRANSACTIONS**

Subparagraphs a) and b) paragraph 2 of Article 10 of this Convention shall apply only if the ownership conditions described in those provisions are met throughout a 365 day period that includes the day of the payment of the dividends (for the purpose of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganisation, such as a merger or divisive reorganisation, of the company that holds the shares or that pays the dividends).

- c) 15 per cent of the gross amount of the dividends in all other cases.

3. The provisions of paragraph 2 shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.
4. The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights participating in profits, as well as other income 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.
5. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of one of the States, carries on business in the other 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, as the case may be, shall apply.
6. Where a company which is a resident of one of the States derives profits or income from the other 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 such other State.
7. Nothing in this Convention shall be construed as preventing one of the States from imposing a tax on the earnings of a company attributable to permanent establishments in that State, in addition to the tax which would be chargeable on the earnings of a company which is a resident of that State, provided that the rate of such additional tax so imposed shall not exceed the percentage limitation provided for under paragraph 2(a) of the amount of such earnings which have not been subjected to such additional tax in previous taxation years. For the purpose of this provision, the term "earnings" means the profits attributable to such permanent establishments in that State (including gains from the alienation of property forming part of the business property, referred to in paragraph 2 of Article 13, of such permanent establishments) in accordance with Article 7 in a year and previous years after deducting therefrom:
  - (a) business losses attributable to such permanent establishments (including losses from the alienation of property forming part of the business property of such permanent establishments) in such year and previous years,
  - (b) all taxes chargeable in that State on such profits, other than the additional tax referred to herein,
  - (c) the profits reinvested in that State, provided that where that State is Canada, the amount of such deduction shall be determined in accordance with the existing provisions of the law of Canada regarding the computation of the allowance in respect of investment in property in Canada, and any subsequent modification of those provisions which shall not affect the general principle hereof, and
  - (d) five hundred thousand Canadian dollars (\$ 500,000) or its equivalent in Netherlands currency, less any amount deducted
    1. by the company, or
    2. by a person related thereto from the same or a similar business as that carried on by the company under this sub-paragraph (d); for the purposes of this sub-paragraph (d) a company is related to another company if one company directly or indirectly controls the other, or both companies are directly or indirectly controlled by the same person or persons, or if the two companies deal with each other not at arm's length.
8. The provisions of paragraph 7 shall also apply with respect to earnings derived from the alienation of immovable property in one of the States by a company carrying on a trade in immovable property, whether or not it has a permanent establishment in that State, but only insofar as these earnings may be taxed in that State under the provisions of Article 6 or paragraph 1 of Article 13.

#### **Article 11. Interest**

1. Interest arising in one of the States and paid to a resident of the other State may be taxed in that other State.
2. However, such interest may also be taxed in the 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, interest arising in one of the States and paid to a resident of the other State who is the beneficial owner thereof shall be taxable only in that other State to the extent that such interest:



- (a) is paid by a purchasing enterprise to a selling enterprise in connection with the sale on credit of any equipment or merchandise, except where the sale is made between persons dealing with each other not at arm's length; or
- (b) is paid in respect of a bond, debenture or other similar obligation of the government of one of the States, or of a political subdivision or local authority thereof; or
- (c) is paid to the other State or a political subdivision or local authority thereof, the central bank of that other State or to any instrumentality (including a financial institution) controlled by that State or subdivision or authority thereof; or
- (d) is paid in respect of a loan made, guaranteed or insured, or a credit extended, guaranteed or insured by any financial institution specified and agreed in letters exchanged between the competent authorities of the States; or
- (e) is paid to a person which was constituted and is operated exclusively to administer or provide benefits under one or more pension, retirement or other employee benefits plans provided that:
  - (i) such person is generally exempt from tax in the other State; and
  - (ii) the interest is not derived from carrying on a trade or a business or from a related person.

**4.**

- (a) Notwithstanding the provisions of paragraph 2, interest arising in Canada and paid by a company which is a resident of Canada to a resident of the Netherlands which is the beneficial owner thereof, with which that company is dealing at arm's length, on any obligation where the evidence of the indebtedness was issued by that company after June 23, 1975, shall, if under the terms of the obligation or any agreement relating thereto, the company may not, under any circumstances, be obliged to pay more than 25 per cent of the principal amount thereof until after 5 years from the date of issue except in the event of a failure or default under the said terms or agreement or if the said terms or agreement become unlawful or are changed by legislation, a court, statutory board or commission, be taxable only in the Netherlands.
- (b) Notwithstanding the provisions of Article 31 Canada may at any time give to the Netherlands, through diplomatic channels, written notice of suspension of sub-paragraph (a) for any period for which the taxation legislation of Canada does not provide for an exemption from non-resident withholding tax on interest as dealt with in that sub-paragraph. In such event sub-paragraph (a) shall not have effect in respect of such interest paid on obligations issued after the later of six months after the date of such notice and 31 December of the calendar year in which the notice is given.
- (c) For the purposes of this paragraph, where all or any portion of the interest payable on an obligation is contingent or dependent upon the use of or production from property in Canada, the interest shall be deemed not to be interest.

**5.** The term „interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income which is subjected to the same taxation treatment as income from money lent by the laws of the States in which the income arises. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article. However, the term „interest” does not include income dealt with in Article 10.

**6.** The provisions of paragraphs 1, 2, 3 and 4 shall not apply if the beneficial owner of the interest, being a resident of one of the States, carries on business in the other 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, as the case may be, shall apply.

**7.** Interest shall be deemed to arise in one of the States 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 one of the States or not, has in one of the States 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.

**8.** 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, having regard to the debt-claim for which it is paid, exceeds 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 State, due regard being had to the other provisions of this Convention.

**Article 12. Royalties**

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

State.

2. However, such royalties may also be taxed in the 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 10 per cent of the gross amount of the royalties.
3. Notwithstanding the provisions of paragraph 2,
  - a) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work (but not including royalties in respect of motion picture films nor royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting), and
  - b) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience (but not including any such information provided in connection with a rental or franchise agreement)

arising in a State and paid to a resident of the other State who is the beneficial owner of the royalties shall be taxable only in that other State.

4. 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 motion picture films and works on film, videotape or other means of reproduction for use in connection with television, 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 concerning industrial, commercial or scientific experience.
5. The provisions of paragraphs 1, 2 and 3 shall not apply if the beneficial owner of the royalties, being a resident of one of the States, carries on business in the other 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, as the case may be, shall apply.
6. Royalties shall be deemed to arise in one of the States 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 one of the States or not, has in one of the States a permanent establishment or a fixed base in connection with which the obligation 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.
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 royalties, having regard to the use, right or information for which they are paid, exceeds 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 State, due regard being had to the other provisions of this Convention.

### **Article 13. Capital gains**

1. Gains derived by a resident of one of the States from the alienation of immovable property situated in the other State may be taxed in that other State.
2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of one of the States has in the other State or of movable property pertaining to a fixed base available to a resident of one of the States in the other 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.
3. Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in the State in which the place of effective management of the enterprise is situated. For the purposes of this paragraph the provisions of paragraph 3 of Article 8 shall apply.
4. Gains derived by a resident of one of the States from the alienation of

- a) shares (other than shares listed on an approved stock exchange in one of the States) forming part of a substantial interest in the capital stock of a company that is a resident of the other State, the value of which shares is derived principally from immovable property situated in the other State, or
- b) a substantial interest in a partnership, trust or estate that was established under the law in the other State, or a controlling interest in a partnership or trust that was not established under the law in the other State, the value of which in either case is derived principally from immovable property situated in the other State,

may be taxed in that other State. For the purposes of this paragraph, the term 'immovable property' includes the shares of a company the value of which shares is derived principally from immovable property or a substantial interest in a partnership, trust or estate referred to in subparagraph b), but does not include property (other than rental property) in which the business of the company, partnership, trust or estate is carried on; a substantial interest exists when the resident and persons related thereto own 10% or more of the shares of any class of the capital stock of a company or have an interest of 10% or more in a partnership, trust or estate; and a controlling interest exists when the resident and persons related thereto have an interest of 50 per cent or more in a partnership, trust or estate.

*The following subparagraph a of paragraph 1 of Article 9 of the MLI applies to paragraph 4 of Article 13 of this Convention:*

**ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR INTERESTS OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM IMMOVABLE PROPERTY**

Paragraph 4 of Article 13 of the Convention shall apply if the relevant value threshold is met at any time during the 365 days preceding the alienation.

5. Where a resident of one of the States alienates property which may in accordance with this Article be taxed in the other State and which was owned by a resident of the first-mentioned State on the date of signature of the Convention, the amount of the gain which is liable to tax in that other State in accordance with this Article shall be reduced by the proportion of the gain attributable (on a monthly basis), or such greater portion of the gain as is shown to the satisfaction of the competent authority of the other State to be reasonably attributable, to the period ending on December 31 of the year in which the Convention enters into force. However, this provision shall not apply to gains from the alienation of property which in accordance with the existing Convention may already be taxed in the other State.
6. Where a resident of one of the States alienates property in the course of a corporate or other organization, reorganization, amalgamation, division or similar transaction and profit, gain or income with respect to such alienation is not recognized for the purpose of taxation in that State, if requested to do so by the person who acquires the property, the competent authority of the other State may agree, subject to terms and conditions satisfactory to such competent authority, to defer the recognition of the profit, gain or income with respect to such property for the purpose of taxation in that other State until such time and in such manner as may be stipulated in the agreement.
7. Gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3 and 4, shall be taxable only in the State of which the alienator is a resident.
8. The provisions of paragraph 7 shall not affect the right of either of the States to levy, according to its law, a tax on gains from the alienation of any property derived by an individual who is a resident of the other State and has been a resident of the first-mentioned State at any time during the six years immediately preceding the alienation of the property.

**Article 14. Independent personal services**

1. Income derived by a resident of one of the States 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 State for the purpose of performing his activities. If he has or had such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that 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 and 19, salaries, wages and other similar remuneration derived by a resident of one of the States in respect of an employment shall be taxable only in that State unless the

employment is exercised in the other 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, remuneration derived by a resident of one of the States in respect of an employment exercised in the other 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 calendar 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 by a resident of one of the States in respect of an employment exercised aboard a ship or aircraft operated in international traffic, shall be taxable only in that State.

#### **Article 16. Directors' fees**

1. Directors' fees or other remuneration derived by a resident of one of the States in his capacity as a member of the board of directors, a „bestuurder” or a „commissaris” of a company which is a resident of the other State may be taxed in that other State.
2. Where the remuneration mentioned in paragraph 1 is derived by a person who exercises activities of a regular and substantial character in a permanent establishment situated in the State other than the State of which the company is a resident and the remuneration is deductible in determining the taxable profits of that permanent establishment, then, notwithstanding the provisions of paragraph 1, the remuneration, to the extent to which it is so deductible, may be taxed in the State in which the permanent establishment is situated.

#### **Article 17. Artistes and athletes**

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of one of the States as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other State, may be taxed in that other State.
2. Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the State in which the activities of the entertainer or athlete are exercised.
3. The provisions of paragraph 2 shall not apply if the entertainer or the athlete establishes that neither he, nor any person associated with him or related to him, participates directly or indirectly in the profits of the person referred to in that paragraph.

#### **Article 18. Pensions, annuities, social security payments and alimony**

1. Pensions, annuities and other similar payments, as well as lump sum payments out of a pension plan or arising on the surrender, cancellation, redemption, sale or other alienation of an annuity, and any pension and other payment paid under the provisions of a social security system, arising in one of the States and paid to a resident of the other State may be taxed in that other State.
2. However, such income may also be taxed in the State in which it arises, and according to the law of that State, but in the case of periodic payments the tax so charged shall not exceed 15 per cent of the gross amount thereof which is taxable under the law of that State.
3. Benefits under the Old Age Security Act of Canada and war pensions allowances (including pensions and allowances paid to war veterans or paid as a consequence of a war) arising in Canada and paid to a resident of the Netherlands may be taxed in Canada in accordance with the law of Canada.
4. Alimony and other similar payments arising in one of the States and paid to an individual who is a resident of the other State shall be taxable only in that other State.

#### **Article 19. Government service**

1.
  - (a) Remuneration, other than a pension, paid by one of the States or a political subdivision or a local

authority thereof to an individual in respect of services rendered to that State or subdivision or authority may be taxed in that State.

- (b) However, such remuneration shall be taxable only in the other State if the services are rendered in that State and the individual is a resident of that State who:
1. is a national of that State; or
  2. did not become a resident of that State solely for the purpose of rendering the services.

2. The provisions of Articles 15 and 16 shall apply to remuneration in respect of services rendered in connection with a business carried on by one of the States or a political subdivision or a local authority thereof.

#### **Article 20. Students**

Payments which a student, apprentice or business trainee who is or was immediately before visiting one of the States a resident of the other 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 that State, provided that such payments arise from sources outside that State.

#### **Article 21. Income from estates and trusts**

1. Income from an estate or a trust which is a resident of Canada accruing to a resident of the Netherlands who is the beneficiary thereof, may be taxed in the Netherlands.
2. However, such income may also be taxed in Canada, and according to the laws of Canada, but the tax so charged shall not exceed 15 per cent of the gross amount of the income.
3. Notwithstanding the provisions of paragraph 2, such income shall be exempt from tax in Canada to the extent of any amount paid, credited, or required to be distributed to such beneficiary out of income from sources outside Canada.
4. For the purposes of this Article, a trust does not include an arrangement whereby the contributions made to the trust are deductible for the purposes of taxation in Canada.

#### **Article 21a. Other income**

1. Subject to the provisions of paragraph 2, items of income of a resident of one of the States, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.
2. However, if such income is derived by a resident of one of the States from sources in the other State, such income may also be taxed in the State in which it arises, and according to the law of that State, but the tax so charged shall not exceed 25 per cent of the gross amount of such income.

### **CHAPTER IV. ELIMINATION OF DOUBLE TAXATION**

#### **Article 22. Elimination of double taxation**

1. The Netherlands, when imposing tax on its residents, may include in the basis upon which such taxes are imposed the items of income which, according to the provisions of this Convention, may be taxed in Canada.
2. However, where a resident of the Netherlands derives items of income which according to Article 6, Article 7, paragraph 5 of Article 10, paragraph 6 of Article 11, paragraph 5 of Article 12, paragraphs 1, 2 and 4 of Article 13, Article 14, paragraph 1 of Article 15, paragraph 3 of Article 18 and Article 19 of this Convention may be taxed in Canada and are included in the basis referred to in paragraph 1, the Netherlands shall exempt such items of income by allowing a reduction of its tax. This reduction shall be computed in conformity with the provisions of Netherlands law for the avoidance of double taxation. For that purpose the said items of income shall be deemed to be included in the total amount of the items of income which are exempt from Netherlands tax under those provisions.
3. Further, the Netherlands shall allow a deduction from the Netherlands tax so computed for the items of income which according to paragraph 2 of Article 10, paragraph 2 of Article 11, paragraph 2 of Article 12, paragraph 8 of Article 13, Article 16, Article 17, paragraph 2 of Article 18, paragraph 2 of Article 21 and paragraph 2 of Article 21A of this Convention may be taxed in Canada to the extent that these items are included in the basis referred to in paragraph 1. The amount of this deduction shall be equal to the tax paid in Canada on these items of income, but shall not exceed the amount of the reduction which would be allowed if the items of income so included were the sole items of income exempt from Netherlands tax under the provisions of Netherlands law for the avoidance of double taxation.

4. Notwithstanding the provisions of paragraph 2, the Netherlands shall allow a deduction from the Netherlands tax for the tax paid in Canada on items of income which according to Article 7, paragraph 5 of Article 10, paragraph 6 of Article 11, paragraph 5 of Article 12 and Article 14 of this Convention may be taxed in Canada to the extent that these items are included in the basis referred to in paragraph 1, if and insofar as the Netherlands under the provisions of the Netherlands law for the avoidance of double taxation allows a deduction from the Netherlands tax of the tax levied in another country on such items of income. For the computation of this deduction the provisions of paragraph 3 shall apply accordingly.
5. In the case of Canada, double taxation shall be avoided as follows:
  - a) subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions – which shall not affect the general principle hereof – and unless a greater deduction or relief is provided under the laws of Canada, tax payable in the Netherlands on profits, income or gains arising in the Netherlands shall be deducted from any Canadian tax payable in respect of such profits, income or gains; and
  - b) where, in accordance with any provision of the Convention, income derived by a resident of Canada is exempt from tax in Canada, Canada may nevertheless, in calculating the amount of tax on other income take into account the exempted income.
6. For the purposes of paragraph 5
  - a) profits, income or gains of a resident of Canada which may be taxed in the Netherlands in accordance with the Convention shall be deemed to arise in the Netherlands, and
  - b) the taxes referred to in paragraphs 3b) and 4 of Article 2 shall be considered income taxes and in determining the amount of these taxes the investment premiums and bonuses and disinvestment payments as meant in the Netherlands Investment Account Law ('Wet investeringsrekening'), and the investment levies as meant in the Netherlands Industrial Deconcentration Act ('Wet selectieve investeringsrekening') shall not be taken into account.

## **CHAPTER V. OFFSHORE ACTIVITIES**

### **Article 23. Offshore Activities**

1. The provisions of this Article shall apply notwithstanding any other provisions of this Convention. However, this Article shall not apply where offshore activities of a person constitute for that person a permanent establishment under the provisions of Article 5 or a fixed base under the provisions of Article 14.
2. In this Article the term "offshore activities" means activities which are carried on offshore in connection with the exploration or exploitation of the seabed and its subsoil and their natural resources, situated in one of the States.
3. An enterprise of one of the States which carries on offshore activities in the other State shall, subject to paragraph 4, be deemed to be carrying on, in respect of those activities, business in that other State through a permanent establishment situated therein, unless the offshore activities in question are carried on in the other State for a period or periods not exceeding in the aggregate 30 days in any twelve month period.

For the purposes of this paragraph:

- a) where an enterprise carrying on offshore activities in the other State is associated with another enterprise and that other enterprise continues, as part of the same project, substantially similar offshore activities to those that are or were being carried on by the first-mentioned enterprise, and the afore-mentioned activities carried on by both enterprises - when added together - exceed a period of 30 days, then each enterprise shall be deemed to be carrying on its activities for a period exceeding 30 days in any twelve month period;
  - b) an enterprise shall be regarded as associated with another enterprise if one holds directly or indirectly at least one third of the capital of the other enterprise or if a person holds directly or indirectly at least one third of the capital of both enterprises.
4. However, for the purposes of paragraph 3 the term "offshore activities" shall be deemed not to include:
    - a) one or any combination of the activities mentioned in paragraph 4 of Article 5;
    - b) towing or anchor handling by ships primarily designed for that purpose and any other activities performed by such ships;
    - c) the transport of supplies or personnel by ships or aircraft in international traffic.

5. A resident of one of the States who carries on offshore activities in the other State, which consist of professional services or other activities of an independent character, shall be deemed to be performing those activities from a fixed base in the other State if the offshore activities in question last for a continuous period of 30 days or more.
6. Salaries, wages and other similar remuneration derived by a resident of one of the States in respect of an employment connected with offshore activities carried on through a permanent establishment in the other State may, to the extent that the employment is exercised offshore in that other State, be taxed in that other State.
7. Where documentary evidence is produced that tax has been paid in Canada on the items of income which may be taxed in Canada according to Article 7 and Article 14 in connection with respectively paragraph 3 and paragraph 5, and to paragraph 6, the Netherlands shall allow a reduction of its tax which shall be computed in conformity with the rules laid down in paragraph 2 of Article 22.

## CHAPTER VI. SPECIAL PROVISIONS

### Article 24. Non-discrimination

1. Nationals of one of the States shall not be subjected in the other 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. This provision shall, notwithstanding the provisions of Article 1, also apply to individuals who are not residents of one or both of the States.
2. The taxation on a permanent establishment which an enterprise of one of the States has in the other 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. This provision shall not be construed as obliging one of the States to grant to residents of the other State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
3. Enterprises of one of the States, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other 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, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of a third State, are or may be subjected.
4. Contributions in a year in respect of services rendered in that year paid by, or on behalf of, an individual who is a resident of one of the States or who is temporarily present in that State, to a pension plan that is recognized for tax purposes in the other State shall, during a period not exceeding in the aggregate 60 months, be treated in the same way for tax purposes in the first-mentioned State as a contribution paid to a pension plan (that is, in the case of Canada, not an employee benefit plan) that is recognized for tax purposes in that first-mentioned State, provided that:
  - (a) such individual was contributing to the pension plan before he became a resident of or temporarily present in the first-mentioned State; and
  - (b) the competent authority of the first-mentioned State agrees that the pension plan corresponds to a pension plan recognized for tax purposes by that State.

For the purposes of this paragraph, "pension plan" includes a pension plan created under a public social security system.

### Article 25. Mutual agreement procedure

1. Where a person considers that the actions of one or both of the 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, address to the competent authority of the State of which he is a resident an application in writing stating the grounds for claiming the revision of such taxation or, if his case comes under paragraph 1 of Article 24, to that of the State of which he is a national. The case must be presented within two years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

*The following second sentence of paragraph 1 of Article 16 of the MLI replaces the second sentence of paragraph 1 of Article 25 of this Convention:*

## ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

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 State, with a view to the avoidance of taxation which is not in accordance with the Convention.
3. A State shall not, after the expiry of the time limits provided in its national laws and, in any case, after six years from the end of the taxable period in which the income concerned has accrued, increase the tax base of a resident of either of the States by including therein items of income which have also been charged to tax in the other State. This paragraph shall not apply in the case of fraud or wilful default.
4. The competent authorities of the States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. In particular, the competent authorities may agree to the same attribution of income, deductions, credits or allowances of an enterprise of one of the States to its permanent establishment in the other State or between related enterprises as provided for in Article 9. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.
5. If any difficulty or doubt arising as to the interpretation or application of the Convention cannot be resolved by the competent authorities it may, if both competent authorities agree, be submitted for arbitration. The procedures for arbitration shall be established between the competent authorities.

*The following Part VI of the MLI replaces paragraph 5 of Article 25 of this Convention:*

## PART VI OF THE MLI – ARBITRATION

### *Article 19 (Mandatory Binding Arbitration) of the MLI*

1. Where:
  - a) under paragraph 1 of Article 25 of this Convention, a person has presented a case to the competent authority of a State on the basis that the actions of one or both of the States have resulted for that person in taxation not in accordance with the provisions of the Convention; and
  - b) the competent authorities are unable to reach an agreement to resolve that case pursuant to paragraph 2 of Article 25 of the Convention, within a period of two years beginning on the start date referred to in paragraph 8 or 9 of Article 19 of the MLI, as the case may be (unless, prior to the expiration of that period the competent authorities of the States have agreed to a different time period with respect to that case and have notified the person who presented the case of such agreement),

any unresolved issues arising from the case shall, if the person so requests in writing, be submitted to arbitration in the manner described in this Part, according to any rules or procedures agreed upon by the competent authorities of the States pursuant to the provisions of paragraph 10 of Article 19 of the MLI.

2. Where a competent authority has suspended the mutual agreement procedure referred to in paragraph 1 of Article 19 of the MLI because a case with respect to one or more of the same issues is pending before court or administrative tribunal, the period provided in subparagraph b) of paragraph 1 of Article 19 of the MLI will stop running until either a final decision has been rendered by the court or administrative tribunal or the case has been suspended or withdrawn. In addition, where a person who presented a case and a competent authority have agreed to suspend the mutual agreement procedure, the period provided in subparagraph b) of paragraph 1 of Article 19 of the MLI will stop running until the suspension has been lifted.

3. Where both competent authorities agree that a person directly affected by the case has failed to provide in a timely manner any additional material information requested by either competent authority after the start of the period provided in subparagraph b) of paragraph 1 of Article 19 of the MLI, the period provided in subparagraph b) of paragraph 1 of Article 19 of the MLI shall be extended for an amount of time equal to the period beginning on the date by which the information was requested and ending on the date on which that information was provided.



4.
  - a) The arbitration decision with respect to the issues submitted to arbitration shall be implemented through the mutual agreement concerning the case referred to in paragraph 1 of Article 19 of the MLI. The arbitration decision shall be final.
  - b) The arbitration decision shall be binding on both States except in the following cases:
    - i) if a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision. In such a case, the case shall not be eligible for any further consideration by the competent authorities. The mutual agreement that implements the arbitration decision on the case shall be considered not to be accepted by a person directly affected by the case if any person directly affected by the case does not, within 60 days after the date on which notification of the mutual agreement is sent to the person, withdraw all issues resolved in the mutual agreement implementing the arbitration decision from consideration by any court or administrative tribunal or otherwise terminate any pending court or administrative proceedings with respect to such issues in a manner consistent with that mutual agreement.
    - ii) if a final decision of the courts of one of the States holds that the arbitration decision is invalid. In such a case, the request for arbitration under paragraph 1 of Article 19 of the MLI shall be considered not to have been made, and the arbitration process shall be considered not to have taken place (except for the purposes of Articles 21 (Confidentiality of Arbitration Proceedings) and 25 (Costs of Arbitration Proceedings) of the MLI. In such a case, a new request for arbitration may be made unless the competent authorities agree that such a new request should not be permitted.
    - iii) if a person directly affected by the case pursues litigation on the issues which were resolved in the mutual agreement implementing the arbitration decision in any court or administrative tribunal.
5. The competent authority that received the initial request for a mutual agreement procedure as described in subparagraph a) of paragraph 1 of Article 19 of the MLI shall, within two calendar months of receiving the request:
  - a) send a notification to the person who presented the case that it has received the request; and
  - b) send a notification of that request, along with a copy of the request, to the competent authority of the other State.
6. Within three calendar months after a competent authority receives the request for a mutual agreement procedure (or a copy thereof from the competent authority of the other State) it shall either:
  - a) notify the person who has presented the case and the other competent authority that it has received the information necessary to undertake substantive consideration of the case; or
  - b) request additional information from that person for that purpose.
7. Where pursuant to subparagraph b) of paragraph 6 of Article 19 of the MLI, one or both of the competent authorities have requested from the person who presented the case additional information necessary to undertake substantive consideration of the case, the competent authority that requested the additional information shall, within three calendar months of receiving the additional information from that person, notify that person and the other competent authority either:
  - a) that it has received the requested information; or
  - b) that some of the requested information is still missing.
8. Where neither competent authority has requested additional information pursuant to subparagraph b) of paragraph 6 of Article 19 of the MLI, the start date referred to in paragraph 1 of Article 19 of the MLI shall be the earlier of:
  - a) the date on which both competent authorities have notified the person who presented the case pursuant to subparagraph a) of paragraph 6 of Article 19 of the MLI; and

b) the date that is three calendar months after the notification to the competent of the other State pursuant to subparagraph b) of paragraph 5 of Article 19 of the MLI.

9. Where additional information has been requested pursuant to subparagraph b) of paragraph 6 of Article 19 of the MLI, the start date referred to in paragraph 1 of Article 19 of the MLI shall be the earlier of:

a) the latest date on which the competent authorities that requested additional information have notified the person who presented the case and the other competent authority pursuant to subparagraph a) of paragraph 7 of Article 19 of the MLI; and

b) the date that is three calendar months after both competent authorities have received all information requested by either competent authority from the person who presented the case.

If, however, one or both of the competent authorities send the notification referred to in subparagraph b) of paragraph 7 of Article 19 of the MLI, such notification shall be treated as a request for additional information under subparagraph b) of paragraph 6 of Article 19 of the MLI.

10. The competent authorities of the States shall by mutual agreement pursuant to Article 25 of the Convention settle the mode of application of the provisions contained in this Part, including the minimum information necessary for each competent authority to undertake substantive consideration of the case. Such an agreement shall be concluded before the date on which unresolved issues in a case are first eligible to be submitted to arbitration and may be modified from time to time thereafter.

12. Notwithstanding the other provisions of this Article:

a) any unresolved issue arising from a mutual agreement procedure case otherwise within the scope of the arbitration process provided for by the MLI shall not be submitted to arbitration, if a decision on this issue has already been rendered by a court or administrative tribunal of either State;

b) if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the States, a decision concerning the issue is rendered by a court or administrative tribunal of one of the States, the arbitration process shall terminate.

#### *Article 20 (Appointment of Arbitrators) of the MLI*

1. Except to the extent that the competent authorities of the States mutually agree on different rules, paragraphs 2 through 4 of Article 20 of the MLI shall apply for the purposes of this Part.

2. The following rules shall govern the appointment of the members of an arbitration panel:

a) The arbitration panel shall consist of three individual members with expertise or experience in international tax matters.

b) Each competent authority shall appoint one panel member within 60 days of the date of the request for arbitration under paragraph 1 of Article 19 of the MLI. The two panel members so appointed shall, within 60 days of the latter of their appointments, appoint a third member who shall serve as Chair of the arbitration panel. The Chair shall not be a national or resident of either State.

c) Each member appointed to the arbitration panel must be impartial and independent of the competent authorities, tax administrations, and ministries of finance of the States and of all persons directly affected by the case (as well as their advisors) at the time of accepting an appointment, maintain his or her impartiality and independence throughout the proceedings, and avoid any conduct for a reasonable period of time thereafter which may damage the appearance of impartiality and independence of the arbitrators with respect to the proceedings.

3. In the event that the competent authority of a State fails to appoint a member of the arbitration panel in the manner and within the time periods specified in paragraph 2 of Article 20 of the MLI or agreed to by the competent authorities of the States, a member shall be appointed on behalf of that competent authority by the highest ranking official of the Centre for Tax Policy and

Administration of the Organisation for Economic Co-operation and Development that is not a national of either State.

4. If the two initial members of the arbitration panel fail to appoint the Chair in the manner and within the time periods specified in paragraph 2 of Article 20 of the MLI or agreed to by the competent authorities of the States, the Chair shall be appointed by the highest ranking official of the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development that is not a national of either State.

*Article 21 (Confidentiality of Arbitration Proceedings) of the MLI*

1. Solely for the purposes of the application of the provisions of this Part and of the provisions of the Convention and of the domestic laws of the States related to the exchange of information, confidentiality, and administrative assistance, members of the arbitration panel and a maximum of three staff per member (and prospective arbitrators solely to the extent necessary to verify their ability to fulfil the requirements of arbitrators) shall be considered to be persons or authorities to whom information may be disclosed. Information received by the arbitration panel or prospective arbitrators and information that the competent authorities receive from the arbitration panel shall be considered information that is exchanged under the provisions of the Convention related to the exchange of information and administrative assistance.
2. The competent authorities of the States shall ensure that members of the arbitration panel and their staff agree in writing, prior to their acting in an arbitration proceeding, to treat any information relating to the arbitration proceeding consistently with the confidentiality and nondisclosure obligations described in the provisions of the Convention related to exchange of information and administrative assistance and under the applicable laws of the States.

*Article 22 (Resolution of a Case Prior to the Conclusion of the Arbitration) of the MLI*

For the purposes of this Part and the provisions of the Convention that provide for resolution of cases through mutual agreement, the mutual agreement procedure, as well as the arbitration proceeding, with respect to a case shall terminate if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the States:

- a) the competent authorities of the States reach a mutual agreement to resolve the case; or
- b) the person who presented the case withdraws the request for arbitration or the request for a mutual agreement procedure.

*Article 23 (Type of Arbitration Process) of the MLI*

1. Except to the extent that the competent authorities of the States mutually agree on different rules, the following rules shall apply with respect to an arbitration proceeding pursuant to this Part:
  - a) After a case is submitted to arbitration, the competent authority of each State shall submit to the arbitration panel, by a date set by agreement, a proposed resolution which addresses all unresolved issue(s) in the case (taking into account all agreements previously reached in that case between the competent authorities of the States). The proposed resolution shall be limited to a disposition of specific monetary amounts (for example, of income or expense) or, where specified, the maximum rate of tax charged pursuant to the Convention, for each adjustment or similar issue in the case. In a case in which the competent authorities of the States have been unable to reach agreement on an issue regarding the conditions for application of a provision of the Convention (hereinafter referred to as a "threshold question"), such as whether an individual is a resident or whether a permanent establishment exists, the competent authorities may submit alternative proposed resolutions with respect to issues the determination of which is contingent on resolution of such threshold questions.
  - b) The competent authority of each State may also submit a supporting position paper for consideration by the arbitration panel. Each competent authority that submits a proposed resolution or supporting position paper shall provide a copy to the other competent authority by the date on which the proposed resolution and supporting position paper were due. Each competent authority may also submit to the arbitration panel, by a date set by agreement, a reply submission with respect to the proposed resolution and supporting position paper

submitted by the other competent authority. A copy of any reply submission shall be provided to the other competent authority by the date on which the reply submission was due.

- c) The arbitration panel shall select as its decision one of the proposed resolutions for the case submitted by the competent authorities with respect to each issue and any threshold questions, and shall not include a rationale or any other explanation of the decision. The arbitration decision will be adopted by a simple majority of the panel members. The arbitration panel shall deliver its decision in writing to the competent authorities of the States. The arbitration decision shall have no precedential value.

5. Prior to the beginning of arbitration proceedings, the competent authorities of the States shall ensure that each person that presented the case and their advisors agree in writing not to disclose to any other person any information received during the course of the arbitration proceedings from either competent authority or the arbitration panel. The mutual agreement procedure under the Convention, as well as the arbitration proceeding under this Part, with respect to the case shall terminate if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the States, a person that presented the case or one of that person's advisors materially breaches that agreement.

*Article 25 (Costs of Arbitration Proceedings) of the MLI*

In an arbitration proceeding under this Part, the fees and expenses of the members of the arbitration panel, as well as any costs incurred in connection with the arbitration proceedings by the States, shall be borne by the States in a manner to be settled by mutual agreement between the competent authorities of the States. In the absence of such agreement, each State shall bear its own expenses and those of its appointed panel member. The cost of the chair of the arbitration panel and other expenses associated with the conduct of the arbitration proceedings shall be borne by the States in equal shares.

*Paragraphs 2 and 3 of Article 26 (Compatibility) of the MLI*

2. Any unresolved issue arising from a mutual agreement procedure case otherwise within the scope of the arbitration process provided for in this Part shall not be submitted to arbitration if the issue falls within the scope of a case with respect to which an arbitration panel or similar body has previously been set up in accordance with a bilateral or multilateral convention that provides for mandatory binding arbitration of unresolved issues arising from a mutual agreement procedure case.

3. Nothing in this Part shall affect the fulfilment of wider obligations with respect to the arbitration of unresolved issues arising in the context of a mutual agreement procedure resulting from other conventions to which the States are or will become parties.

*Subparagraph a) of paragraph 2 of Article 28 of the MLI*

*Pursuant to Subparagraph a) of paragraph 2 of Article 28 of the MLI, Canada formulates the following reservations with respect to the scope of cases that shall be eligible for arbitration under the provisions of this Part*

1. Canada reserves the right to limit the scope of issues eligible for arbitration under the MLI to the following:
- (a) Issues arising under provisions akin to Article 4 (Resident) of the OECD Model Tax Convention, but only insofar as the issue relates to the residence of an individual;
  - (b) Issues arising under provisions akin to Article 5 (Permanent Establishment) of the OECD Model Tax Convention;
  - (c) Issues arising under provisions akin to Article 7 (Business Profits) of the OECD Model Tax Convention;
  - (d) Issues arising under provisions akin to Article 9 (Associated Enterprises) of the OECD Model Tax Convention;
  - (e) Issues arising under provisions akin to Article 12 (Royalties) of the OECD Model Tax Convention, but only insofar as such a provision might apply in transactions involving related persons to which provisions akin to Article 9 of the OECD Model Tax Convention might apply; and
  - (f) Any other provisions subsequently agreed by the States through an exchange of diplomatic notes.

2. Canada reserves the right to exclude from the scope of the arbitration provisions of the MLI issues pertaining to the application of anti-abuse provisions whether contained in the MLI, the Convention, or the domestic law of a State.

## **Article 26. Exchange of information**

The competent authorities of the States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1. Any information received by one of the States shall be treated as secret in the same manner as information obtained under the domestic laws of that State 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, taxes. 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.

## **Article 26A. Assistance in collection**

1. The States undertake to lend assistance to each other in the collection of taxes covered by this Convention, together with interest, costs, additions to such taxes and civil penalties, referred to in this Article as a 'revenue claim'. The provisions of this Article are not restricted by Article 1.
2. An application for assistance in the collection of a revenue claim shall include a certification by the competent authority of the applicant State that, under the laws of that State, the revenue claim has been finally determined. For the purposes of this Article, a revenue claim is finally determined when the applicant State has the right under its internal law to collect the revenue claim and all administrative and judicial rights of the taxpayer to restrain collection in the applicant State have lapsed or been exhausted.
3. A revenue claim of the applicant State that has been finally determined may be accepted for collection by the competent authority of the requested State and, subject to the provisions of paragraph 7, if accepted shall be collected by the requested State as though such revenue claim were the requested State's own revenue claim finally determined in accordance with the laws applicable to the collection of the requested State's own taxes.
4. Where an application for collection of a revenue claim in respect of a taxpayer is accepted by a State, the revenue claim shall be treated by that State as an amount payable under the Income Tax Act of that State, the collection of which is not subject to any restriction.
5. Nothing in this Article shall be construed as creating or providing any rights of administrative or judicial review of the applicant State's finally determined revenue claim by the requested State, based on any such rights that may be available under the laws of either State. If, at any time pending execution of a request for assistance under this Article, the applicant State loses the right under its internal law to collect the revenue claim, the competent authority of the applicant State shall promptly withdraw the request for assistance in collection.
6. Subject to this paragraph, amounts collected by the requested State pursuant to this Article shall be forwarded to the competent authority of the applicant State. Unless the competent authorities of the States otherwise agree, the ordinary costs incurred in providing collection assistance shall be borne by the requested State and any extraordinary costs so incurred shall be borne by the applicant State.
7. A revenue claim of the applicant State accepted for collection shall not have in the requested State any priority accorded to the revenue claims of the requested State even if the recovery procedure used is the one applicable to its own revenue claims. A revenue claim of the applicant State shall not be recovered by imprisonment for debt of the debtor in the requested State.
8. Notwithstanding the provisions of paragraph 1, the competent authorities of the States may by exchange of notes agree that the provisions of this Article also apply to taxes and duties other than the taxes referred to in Article 2 collected by or on behalf of the Government of the States.
9. The competent authorities of the States shall agree upon the mode of application of this Article, including agreement to ensure comparable levels of assistance to each of the States.

#### **Article 26B. Limitation of Articles 26 and 26A**

In no case shall the provisions of Articles 26 and 26A be construed so as to impose on one of the States the obligation:

- a) to carry out administrative measures at variance with the laws or the administrative practice of that or of the other 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 State; or
- 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 (ordre public).

#### **Article 27. Diplomatic agents and consular officers**

1. Nothing in this Convention shall affect the fiscal privileges of diplomatic agents or consular officers under the general rules of international law or under the provisions of special agreements.
2. Notwithstanding Article 4, an individual who is a member of a diplomatic or consular mission of one of the States in the other State or in a third State and who is a national of the sending State, shall be deemed for the purposes of the Convention to be a resident of the sending State if he is subject therein to the same obligations in respect of taxes on income as are residents of that State.
3. The Convention shall not apply to international organisations, organs and officials thereof and members of a diplomatic or consular mission of a third State, being present in one of the States, if they are not subjected therein to the same obligations in respect of taxes on income as are residents of that State.

#### **Article 28. Miscellaneous rules**

1. Nothing in this Convention shall be construed as preventing Canada from imposing a tax on amounts included in the income of a resident of Canada with respect to a partnership, trust, or controlled foreign affiliate, in which that resident has an interest.
2. Articles 6 to 21 of the Convention shall not apply to non-resident-owned investment corporations as defined under section 133 of the Canadian Income Tax Act, or under any similar provision enacted by Canada after the signature of the Convention.
3. The competent authorities of the States shall by mutual agreement settle the mode of application of Articles 10, 11, 12 and 21.
4. The competent authorities of each of the States, in accordance with the practices of that State, may prescribe regulations necessary to carry out the other provisions of the Convention.
5. The competent authorities of the States may communicate with each other directly for the purpose of applying the Convention.

*The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Convention:*

**ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE**  
*(Principal purposes test provision)*

Notwithstanding any provisions of the Convention, a benefit under the Convention shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the Convention.

#### **Article 29. Territorial extension**

1. This Convention may be extended, either in its entirety or with any necessary modifications, to the Netherlands Antilles and/or Aruba, if those countries impose taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date and subject to such modifications and conditions, including conditions as to termination, as may be specified and agreed in notes to be exchanged through diplomatic channels.
2. Unless otherwise agreed the termination of the Convention shall not also terminate any extension of the Convention to the Netherlands Antilles and/or Aruba.

## **CHAPTER VII. FINAL PROVISIONS**

### **Article 30. Entry into force**

1. This Convention shall enter into force on the thirtieth day after the latter of the dates on which the respective Governments have notified each other in writing that the formalities constitutionally required in their respective States have been complied with, and, subject to the provisions of paragraphs 3, 4, 5 and 6, its provisions shall have effect:
  - (a) in respect of tax withheld at the source on amounts paid or credited on or after the first day of January in the calendar year in which the Convention has entered into force;
  - (b) in respect of other taxes for taxation years beginning on or after the first day of January in the calendar year in which the Convention has entered into force.
2. Subject to the provisions of paragraphs 3, 4, 5 and 6 the existing Convention shall cease to have effect as respects taxes to which this Convention in accordance with the provisions of paragraph 1 applies.
3. Where, however, any greater relief from tax would have been afforded by any provision, except those dealt with in paragraphs 4, 5 and 6, of the existing Convention than is due under this Convention, any such provision as aforesaid shall continue to have effect for any taxation year beginning before the entry into force of this Convention.
4. Where a dividend is paid by a company which is a resident of one of the States on the date of signature of this Convention, and where the conditions set out in sub-paragraphs (a), (b) and (c) of paragraph 3 of Article VII of the existing Convention are met with respect to the dividend, paragraph 3 of Article VII of the existing Convention shall apply to the dividend in the year of signature of this Convention and in the three following calendar years and for the purposes of that paragraph:
  - (a) gains derived by a company which is a resident of one of the States from the alienation of shares in a company which is not a resident of that State shall be deemed to be income received or receivable by the former company as, or in lieu of the payment of, dividends by the latter company, and
  - (b) a reference to "company" in this paragraph and in paragraph 3 of Article VII shall be taken to include a reference to a successor company thereof resulting from a merger.

However, this paragraph shall not apply in any event to a dividend paid after December 31, 1988.

5. Where any greater relief from tax would have been afforded by any provision of the existing Convention to a resident of the Netherlands in respect of interest (other than debenture interest) from any mortgage of immovable property situated in Canada and where the mortgage secured an obligation in existence on the date of signature of this Convention, that provision shall continue to apply for such interest received in the year of signature of this Convention and in the 18 calendar months following that year. However, this paragraph shall not apply in any event with respect to interest received after June 30, 1987 or interest received before that date that relates to a period after that date.
6. Where any greater relief from tax would have been afforded by any provision of the existing Convention to a resident of one of the States in respect of payments of any kind received as consideration for the use of, or right to use, industrial, commercial or scientific equipment, made pursuant to an agreement in existence on the date of signature of this Convention, that provision shall continue to apply with respect to any such payment made in the year of signature of this Convention and in the three following calendar years. However, this paragraph shall not apply in any event with respect to any such payment made after December 31, 1988 or any payment made before that date for the use of, or the right to use, equipment after that date.
7. The existing Convention shall terminate on the last date on which it has effect in accordance with the foregoing provisions of this Article.
8. The termination of the existing Convention as provided in paragraph 7 shall not revive the Agreement

between the Government of Canada and the Government of the Kingdom of the Netherlands constituted by an exchange of notes, dated 23rd September, 1929, for reciprocal exemption from income tax of income arising from the operation of ships. Upon the entry into force of this Convention that Agreement shall terminate.

9. In this Convention the term "the existing Convention" means the Convention between Canada and the Kingdom of the Netherlands for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income signed at Ottawa on April 2, 1957, as modified by the Supplementary Convention signed at Ottawa on October 28, 1959 and as further modified by the Supplementary Convention signed at Ottawa on February 3, 1965.

### **Article 31. Termination**

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

- (a) in respect of tax withheld at the source on amounts paid or credited on or after the first day of January in the calendar year next following that in which the notice of termination has been given;
- (b) in respect of other taxes for taxation years beginning on or after the first day of January in the calendar year next following that in which the notice of termination has been given.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Convention.

DONE at The Hague this 27th day of May 1986, in duplicate, in the English, French and Netherlands languages, each version being equally authentic.

*For the Government of the Kingdom of the Netherlands,*

(sd.) H. VANDEN BROEK

(sd.) H. E. KONING

*For the Government of Canada,*

(sd.) LAWRENCE A. H. SMITH



## **Protocol**

At the moment of signing the Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, this day concluded between the Kingdom of the Netherlands and Canada, the undersigned have agreed that the following provisions shall form an integral part of the Convention.

### **I. With reference to Article 3, paragraph 1(e)**

In the French version of the Convention, the term “société” includes a “corporation” within the meaning of Canadian law.

### **II. With reference to Articles 3, 5 and 8**

The landing site or sites situated in one of the States regularly used in the transportation by ships of goods or passengers exclusively between places in one of the States, shall, for the enterprise operating such ships, constitute a permanent establishment in that State.

#### **IIA. With reference to Article 4**

It is understood that the term “resident of one of the States” also includes:

- a) the Government of that State or a political subdivision or local authority thereof or any agency or instrumentality of any such Government, subdivision or authority;
- b) a trust, company or other organization constituted and operated exclusively to administer or provide benefits under one or more funds or plans established to provide pension, retirement or other employee benefits that is generally exempt from tax in one of the States and is a resident of that State according to the laws of that State;
- c) a trust, company or other organization that is operated exclusively for religious, charitable, scientific, educational, or public purposes and that is generally exempt from tax in one of the States and that is a resident of that State according to the laws of that State.

#### **III. With reference to Article 4**

An individual living aboard a ship without any real domicile in either of the States shall be deemed to be a resident of the State in which the ship has its home harbour.

#### **IV. With reference to Article 6, paragraph 1**

The provisions of paragraph 1 of Article 6 shall also apply to income or profits from the alienation of property referred to therein.

#### **V. With reference to Article 6**

In the event that one of the States ceases to permit residents of the other State who are liable to tax in the first-mentioned State on income from immovable property situated therein to compute, in accordance with and subject to the domestic legislation of the first-mentioned State, the tax on such income on a net basis, then a resident of the other State who is so liable to tax on such income may compute the tax on such income in accordance with and subject to the domestic legislation of the first-mentioned State as it read at the time that State ceased to permit the computation. Interest on any mortgage or other indebtedness secured by immovable property situated in one of the States shall be deemed to arise in that State to the extent that, pursuant to any computation referred to in the preceding sentence, such interest is deducted in computing the tax on income of a resident of the other State from immovable property situated in the first-mentioned State.

#### **VA. With reference to Articles 5, 6, 7, 14 and 23**

It is understood that exploration and exploitation rights of natural resources shall be regarded as immovable property situated in the State the seabed and subsoil of which they are related to, and that these rights shall be deemed to pertain to the property of a permanent establishment in that State.

Furthermore, it is understood that the aforementioned rights include rights to interests in, or to the benefits of, assets to be produced by such exploration or exploitation.

#### **VI. With reference to Article 7**

It is understood that in the case of profits from survey, supply, installation or construction activities, only so much of them shall be attributable to a permanent establishment as results from the actual performance of such activities by that permanent establishment. Accordingly, profits from deliveries of goods, whether or not in connection with these activities, to that permanent establishment by the head office, another permanent establishment or a third person shall not be attributed to that permanent establishment.

#### **VII. With reference to Articles 10, 11, 12 and 21**

Where tax has been levied in excess of the amount of tax chargeable under the provisions of Articles 10, 11, 12 and 21, applications for the refund of the excess amount of tax have to be lodged with the competent authority of the State having levied the tax, within a period of three years after the expiration of the calendar year in which the tax has been levied.

#### **VIII. With reference to Article 11, paragraph 3**

The term "instrumentality" means any entity created or organized by the Government of either State or political subdivision or local authority of either State in order to carry out functions of a governmental nature.

#### **IX. With reference to Article 12, paragraph 4**

Payments received as a consideration for technical services, including studies or surveys of a scientific, geological or technical nature, or for engineering contracts including blueprints related thereto, or for consultancy or supervisory services shall be deemed not to be payments received as a consideration for information concerning industrial, commercial or scientific experience, except to the extent that the amounts of such payments are based on production, sales, performance, profits or any other similar basis related to the use of the said information.

#### **X. With reference to Article 13, paragraph 4**

The term "persons related thereto" means in the case of companies, related companies as meant in sub-paragraph (d) of paragraph 7 of Article 10 and in the case of an individual, his spouse and relatives in the direct line and in the second degree in the collateral line.

#### **XI. With reference to Articles 15 and 16**

It is understood that the terms "salary, wages and other similar remuneration" and "directors' fees or other remuneration" include all income from an employment or office.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Protocol.

DONE at The Hague this 27th day of May 1986, in duplicate, in the English, French and Netherlands languages, each version being equally authentic.

*For the Government of the Kingdom of the Netherlands,*

(sd.) H. VAN DEN BROEK

(sd.) H. E. KONING

*For the Government of Canada,*

(sd.) LAWRENCE A. H. SMITH