

2. Pensions arising in a Contracting State and paid to a resident of the other Contracting State may also be taxed in the State in which they arise and according to the laws of that State. However, in the case of periodic pension payments, the tax so charged shall not exceed the lesser of:

- (a) 15 per cent of the gross amount of the payment; and
- (b) the amount of tax that the recipient of the payment would otherwise be required to pay for the year on the total amount of the periodic pension payments received by the individual in the year, if the individual were resident in the Contracting State in which the payment arises.

3. Annuities arising in a Contracting State and paid to a resident of the other Contracting State may also be taxed in the State in which they arise and according to the law of that State, but the tax so charged shall not exceed 15 per cent of the portion of those annuities that is subject to tax in that State. However, this limitation does not apply to lump-sum payments arising on the surrender, cancellation, redemption, sale or other alienation of an annuity, or to payments of any kind under an annuity contract the cost of which was deductible, in whole or in part, in computing the income of any person who acquired the contract.

4. Notwithstanding anything in this Convention:

- (a) war pensions and allowances (including pensions and allowances paid to war veterans or paid as a consequence of damages or injuries suffered as a consequence of a war) arising in a Contracting State and paid to a resident of the other Contracting State shall be exempt from tax in that other State to the extent that they would be exempt from tax if received by a resident of the first-mentioned State;
- (b) alimony and other similar payments arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax in that other Contracting State in respect of that alimony and other similar payments shall be taxable only in that other State, but the amount taxable in that other State shall not exceed the amount that would be taxable in the first-mentioned State if the recipient were a resident thereof; and
- (c) benefits under the social security laws in a Contracting State, the contributions in respect of which (other than employer contributions or the equivalent thereto in the context of self-employment) are not deductible for the purposes of taxation in that State, paid to a resident of the other Contracting State shall be exempt from tax in that other State if they would be exempt from tax if received by a resident of the first-mentioned State.

5. For the purposes of the Article, the term "pension" includes benefits under the social security laws of a Contracting State.