

7. Australia may impose an income tax (in this paragraph called a "branch profits tax") on the reduced taxable income of a company that is a resident of Canada in addition to the income tax (in this paragraph called "the general income tax") payable by the company in respect of its taxable income; provided that any branch profits tax so imposed in respect of a year of income shall not exceed 15 per cent of the amount by which the reduced taxable income of that year of income exceeds the general income tax payable in respect of the reduced taxable income of that year of income.

ARTICLE 11

Interest

1. Interest arising in one of the Contracting States, being interest to which a resident of the other Contracting State is beneficially entitled, may be taxed in that other State.
2. Such interest may be taxed in the Contracting State in which it arises, and according to the law of that State, but the tax so charged shall not exceed 15 per cent of the gross amount of the interest.
3. The term "interest" in this Article includes interest from Government securities or from bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and interest from any other form of indebtedness as well as all other income assimilated to interest by the taxation law of the Contracting State in which the income arises.
4. The provisions of paragraphs (1) and (2) shall not apply if the person beneficially entitled to the interest, being a resident of one of the Contracting States, carries on business through a permanent establishment situated in the other Contracting State, or performs professional services from a fixed base situated in that other State, being the State in which the interest arises, and the indebtedness giving rise to the interest is effectively connected with that permanent establishment or fixed base. In such a case, the provisions of Article 7 or 14, as the case may be, shall apply.
5. Interest shall be deemed to arise in a Contracting State when the payer is that Contracting State itself or a political sub-division or a local authority thereof or a person who is a resident of that State for the purposes of its tax. Where, however, the person paying the interest, whether he is a resident of one of the Contracting States or not, has in a State other than that of which he is a resident a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and that interest is borne by that permanent establishment or fixed base, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.
6. Where, owing to a special relationship between the payer and the person beneficially entitled to the interest or between both of them and some other person the amount of the interest paid, having regard to the indebtedness for which it is paid, exceeds the amount which might have been expected to have been agreed upon by the payer and the person so entitled in the absence of such relationship, the provi-