

ARTICLE 18

Taxation

1. For the purposes of this Article:

- (a) the term “profits or income” includes gross receipts and revenues derived directly from the operation of aircraft in international traffic, including:
 - (i) the charter or rental of aircraft;
 - (ii) the sale of air transportation, either for the airline itself or for any other airline; and
 - (iii) interest on sums generated directly from the operation of aircraft in international traffic provided that such interest is incidental to the operation;
- (b) the term “international traffic” means the transportation of persons and/or cargo, including mail, except where such transportation is principally between points in the territory of a Contracting Party; and
- (c) the term “airline of a Contracting Party” means, in the case of Canada, an airline resident in Canada for purposes of income taxation and, in the case of Costa Rica, an airline resident in Costa Rica for purposes of income taxation.

2. Profits or income from the operation of aircraft in international traffic derived by an airline of a Contracting Party, including participation in inter-airline commercial agreements or joint business ventures, shall be exempt from any tax on profits or income imposed by the Government of the other Contracting Party.

3. Capital and assets of an airline of a Contracting Party pertaining to the operation of aircraft in international traffic shall be exempt from any tax on capital and assets imposed by the Government of the other Contracting Party.

4. Gains from the alienation of aircraft operated in international traffic and movable property pertaining to the operation of such aircraft derived by an airline of a Contracting Party shall be exempt from any tax on gains imposed by the Government of the other Contracting Party.