

V. METHODS FOR ELIMINATION OF DOUBLE TAXATION

ARTICLE 23

ELIMINATION OF DOUBLE TAXATION

1. 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 Mongolia on profits, income or gains arising in Mongolia shall be deducted from any Canadian tax payable in respect of such profits, income or gains;
 - (b) where, in accordance with any provision of the Convention, income derived or capital owned by a resident of Canada is exempt from tax in Canada, Canada may nevertheless, in calculating the amount of tax on other income or capital, take into account the exempted income or capital.

2. In the case of Mongolia, where a resident of Mongolia derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in the Canada, the following rules are applicable:
 - (a) Mongolia shall allow:
 - (i) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Canada;
 - (ii) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Canada.

Such deduction in either case shall not, however, exceed that part of the income tax or capital tax, as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital which may be taxed in Canada.
 - (b) Where in accordance with any provision of the Convention income derived or capital owned by a resident of Mongolia is exempt from tax in Mongolia, Mongolia may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.