

3. Notwithstanding the provisions of paragraph 2, dividends paid by a company of a Contracting State to a resident of the other Contracting State that is the Government of that other State, or any political subdivision or local authority thereof, or the Central Bank of that other State, shall be taxable only in the other State if that resident:

- (a) is the beneficial owner of the dividends; and
- (b) does not hold directly or indirectly more than 25 per cent of the capital or 25 per cent of the voting power of the company paying the dividends.

4. Notwithstanding the provisions of paragraph 2, dividends arising in a Contracting State and beneficially owned by an organization that was constituted and is operated in the other Contracting State exclusively to administer or provide benefits under one or more recognized pension plans shall be exempt from tax in the first-mentioned State if:

- (a) the organization is the beneficial owner of the shares on which the dividends are paid, holds those shares as an investment and is either generally exempt from tax in the other State or its income is not subject to tax in the other State;
- (b) the organization does not hold directly or indirectly more than 10 per cent of the capital or 10 per cent of the voting power of the company paying the dividends; and
- (c) each recognized pension plan provides benefits primarily to individuals who are residents of the other Contracting State.

5. Notwithstanding any other provision of this Convention, distributions made by a real estate investment fund which is a resident of Israel to a resident of Canada may be taxed in Canada. However, such distributions may also be taxed in Israel and according to the laws of Israel, but if the beneficial owner of these distributions is a resident of Canada and holds directly less than 10 per cent of the capital of that real estate investment fund, the tax so charged shall not exceed 15 per cent of the gross amount of the distributions.

This paragraph shall not affect the taxation of the real estate investment fund in respect of the profits out of which the distributions are made.

6. The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares, or other rights, not being debt-claims, participating in profits, as well as 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.

7. The provisions of paragraphs 1, 2, 3, 4 and 5 shall not apply if the beneficial owner of the dividends or of the distributions by a real estate investment fund, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends or making the distributions is a resident, through a permanent establishment situated therein and the holding in respect of which the dividends or distributions are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 (Business Profits) shall apply.