

ARTICLE 10

Article XXIII (Elimination of Double Taxation) of the Convention shall be deleted and replaced by the following Article:

“ARTICLE XXIII*Elimination of Double Taxation*

1. In Spain, double taxation shall be avoided following either the provisions of its internal legislation or the following provisions in accordance with the internal legislation of Spain:

- (a) Where a resident of Spain derives income which, in accordance with the provisions of this Convention, may be taxed in Canada, Spain 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) the deduction of the underlying corporation tax shall be given in accordance with the internal legislation of Spain.

Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income which may be taxed in Canada.

The provisions of this subparagraph shall not apply to any income tax paid in Canada in accordance with the provisions of paragraph 5 of Article XIII.

- (b) Where in accordance with any provision of this Convention income derived by a resident of Spain is exempt from tax in Spain, Spain may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.

2. In Canada, double taxation shall be avoided as follows:

- (a) subject to the existing provisions of the laws 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 Spain on profits, income or gains arising in Spain shall be deducted from any Canadian tax payable in respect of such profits, income or gains;