

Article 8

Shipping and Air Transport

1. Profits derived by an enterprise of a Contracting State from the operation of aircraft in international traffic shall be taxable only in that State.

2. Profits derived by an enterprise of a Contracting State from the operation of ships in international traffic may be taxed in both Contracting States according to the law of each Contracting State. Provided that where such an enterprise derives profits from such operation in the other Contracting State, for the purposes of taxation in that other State:

- (a) such profits shall be deemed to be an amount not exceeding five percent of the full amount received by the enterprise on account of the carriage of passengers or freight embarked in that other State;
- (b) the tax chargeable in that other State shall not exceed fifty percent of the profits as calculated under the provisions of subparagraph (a).

3. Notwithstanding the provisions of paragraphs 1 and 2 and of Article 7, profits derived from the operation of ships or aircraft used principally to transport passengers or goods exclusively between places in a Contracting State may be taxed in that State.

4. The provisions of paragraphs 1, 2 and 3 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

5. In this Article,

- (a) the term "profit" includes:
 - (i) profits, net profits, gross receipts and revenues derived directly from the operation of ships or aircraft in international traffic, and
 - (ii) interest on sums generated directly from the operation of ships or aircraft in international traffic provided that such interest is incidental to the operation;