

(4) Any provision in the law of either of the territories relating only to interest paid to a non-resident company shall not operate so as to require such interest paid to a company which is a resident of the other territory to be treated as a distribution of the company paying such interest. The preceding sentence shall not apply to interest paid to a company which is a resident of one of the territories in which more than 50 per cent. of the voting power is controlled, directly or indirectly, by a person or persons resident in the other territory.

(5) The provisions of paragraphs (1) and (2) of this Article shall not apply to interest where the beneficial owner of the interest —

(a) is not subject to tax in respect thereof in the territory of which it is a resident; and

(b) sells (or makes a contract to sell) the holding from which the interest is derived within three months of the date on which such beneficial owner acquired that holding.

(6) Where, owing to a special relationship between the payer and the recipient, or between both of them and some other person, the amount of the interest paid exceeds the amount which would have been agreed upon by the payer and recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount.

ARTICLE 11.

(1) Copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including rents or royalties in respect of motion picture films and films or video tapes for use in connection with television) which are derived and beneficially owned by a resident of Canada, shall be exempt from tax in the United Kingdom.

The United Kingdom tax on royalties, other than royalties to which the preceding sentence applies, and which are derived and beneficially owned by a resident of Canada shall not exceed 10 per cent. of the gross amount of the royalties.

(2) Copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including rents or royalties in respect of motion picture films and films or video tapes for use in connection with television) which are derived and beneficially owned by a resident of the United Kingdom, shall be exempt from tax in Canada.

The Canadian tax on royalties, other than royalties to which the preceding sentence applies, and which are derived and beneficially owned by a resident of the United Kingdom shall not exceed 10 per cent. of the gross amount of the royalties.

(3) Paragraphs (1) and (2) of this Article shall not apply if the recipient of the royalties, being a resident of one of the territories, has in the other territory a permanent establishment and the right or property giving rise to the royalties is effectively connected with a trade or business carried on through that permanent establishment.

(4) Royalties paid by a company which is a resident of one of the territories to a resident of the other territory shall not be treated as a distribution of or a dividend from such a company. The preceding sentence shall not apply to royalties paid to a company which is a resident of one of the territories where (a) the same persons participate directly or indirectly in the management or control of the company paying the royalties, and (b) more than 50 per cent. of the voting power in the company deriving the royalties is controlled, directly or indirectly, by a person or persons resident in the other territory.