

participate directly or indirectly in the profits of the person referred to in that paragraph.

## ARTICLE XVIII

### *Pensions and Annuities*

1. Pensions and annuities arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. Pensions arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the State in which they arise, and according to the law of that State. However, in the case of periodic pension payments, the tax so charged shall not exceed the lesser of

- (a) 18 per cent of the gross amount of the payment, and
- (b) the rate determined by reference to the amount of tax that the recipient of the payment would otherwise be required to pay for the year on the total amount of the periodic pension payments received by him in the year, if he were resident in the Contracting State in which the payment arises.

3. Annuities arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the State in which they arise, and according to the law of that State; but the tax so charged shall not exceed 18 per cent of the gross amount of the payment. However, this limitation does not apply to lump-sum payments arising on the renunciation, the surrender, cancellation, redemption, sale or other alienation of an annuity, or to payments of any kind under an income-averaging annuity contract.

4. The term "annuities", as used in this Article, means stated sums payable periodically at stated times, during life or during a specified or ascertainable period of time, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

5. Notwithstanding anything in this Convention:

- (a) periodic or non-periodic social security pensions and other similar allowances and war veterans' pensions paid by a Contracting State or a political subdivision, a local authority or a governmental instrumentality thereof (*personne morale de droit public*), shall be taxable only in that State;
- (b) alimony and other similar payments arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax therein in respect thereof, shall be taxable only in that State.