

to arise in the Contracting State in which the permanent establishment is situated.

(5) 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, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

(6) The term "interest" means interest on bonds, securities, notes, debentures or any other form of indebtedness as well as any excess of the amount repaid in respect of any form of indebtedness over the amount lent.

ARTICLE 11

Royalties

(1) Royalties paid or credited by a resident of one of the Contracting States to a resident of the other Contracting State may be taxed in that other State.

(2) Such royalties as specified in paragraph (3), subparagraphs (b) and (c), may also be taxed in the Contracting State of which the person paying or crediting such royalties is a resident, according to the law of that State, but the tax so charged shall not exceed the rate limitations stated therein.

(3) (a) Copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (excluding royalties and like payments in respect of motion picture films and films or video tapes for use in connection with television) paid or credited by a resident of one of the Contracting States to a resident of the other Contracting State shall be exempt from tax in the first-mentioned State.

(b) Royalties and other amounts constituting consideration for the use of, or the privilege of using, any patent, design, plan, secret process, formula, trade mark, or other like property, and paid or credited by a resident of one of the Contracting States to a resident of the other Contracting State may be taxed in the first-mentioned State, according to the law of that State, but the rate of tax so charged shall not exceed 15 per cent.

(c) Royalties and like payments in respect of motion picture films and films or video tapes for use in connection with television paid or credited by a resident of one of the Contracting States to a resident of the other Contracting State may be taxed in the first-mentioned State, according to the law of that State, but the rate of tax so charged shall not exceed 10 per cent.

(4) Royalties shall be deemed to arise in one of the Contracting States when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of one of the Contracting States or not, has in one of the Contracting States a permanent establishment in connection with which the contract has been concluded on which the royalties are paid, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.