

ARTICLE 6

1. Paragraph 2 of Article XI (Interest) of the Convention shall be deleted and replaced by the following paragraph:

“2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.”

2. Paragraph 7 of Article XI (Interest) of the Convention shall be deleted and replaced by the following paragraphs:

“7. Notwithstanding the provisions of paragraph 2:

- (a) interest arising in a Contracting State and paid to a resident of the other Contracting State shall not be taxable in the first-mentioned Contracting State if the beneficial owner of the interest is a resident of the other Contracting State and is dealing at arm’s length with the payer;
- (b) interest arising in Spain and paid to a resident of Canada shall be taxable only in Canada if it is paid in respect of a loan made, guaranteed or insured, or a credit extended, guaranteed or insured by Export Development Canada; and
- (c) interest arising in Canada and paid to a resident of Spain shall be taxable only in Spain if it is paid in respect of a loan, debt-claim or credit that is owed to, or made, provided, guaranteed or insured by Spain or a political subdivision, local authority or export financing agency thereof, provided the loan, debt claim or credit is in respect of exports.

8. Paragraph 7 (a) shall not apply where all or any portion of the interest is paid or payable on an obligation that is contingent or dependent on the use of or production from property or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a company.”