

V. METHODS FOR PREVENTION OF DOUBLE TAXATION**ARTICLE 24***Elimination of Double Taxation*

1. In the case of Canada, double taxation shall be avoided as follows:

- (a) Subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions – which shall not affect the general principle hereof – and unless a greater deduction or relief is provided under the laws of Canada, tax payable in Cyprus on profits, income or gains arising in Cyprus shall be deducted from any Canadian tax payable in respect of such profits, income or gains.

- (b) Subject to the existing provisions of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those provisions – which shall not affect the general principle hereof – for the purpose of computing Canadian tax, a company resident in Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate resident in Cyprus.

2. For the purposes of paragraph 1(a), tax payable in Cyprus by a resident of Canada

- (i) in respect of profits attributable to a trade or business carried on by it in Cyprus, or

- (ii) in respect of interest received by it from a resident of Cyprus,

shall be deemed to include any amount which would have been payable as Cyprus tax for any year but for an exemption from, or reduction of, tax granted for that year or any part thereof under any of the following provisions, that is to say:

- (a) Section 10 of the Income Tax Laws 1961 to 1977 so far as it was in force on, and has not been modified since, the date of signature of this Convention, or has been modified only in minor respects so as not to affect its general character, provided the interest is certified by the competent authority of Cyprus as being payable in respect of a loan made for the purposes of promoting development in Cyprus; except to the extent that the said provision has the effect of exempting or relieving a source of income for a period in excess of ten years;