

2. Capital represented by movable property forming part of the business property of a permanent establishment of an enterprise, or by movable property pertaining to a fixed base used for the performance of professional services, may be taxed in the Contracting State in which the permanent establishment or fixed base is situated.

3. Ships and aircraft operated by an enterprise of a Contracting State in international traffic and movable property pertaining to the operation of such ships and aircraft, shall be taxable only in that State.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

ARTICLE XXIII

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 principle hereof), and unless a greater deduction or relief is provided under the law of Canada, French tax payable under the law of France and in accordance with this Convention on profits, income or gains arising in France 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 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 France.

For the purpose of computing the exempt surplus of a foreign affiliate resident in France, profits derived from a permanent establishment of that company situated in an Overseas Territory of the French Republic shall be deemed to be derived from France.

2. In the case of France, double taxation shall be avoided as follows:

(a) income other than that mentioned in subparagraph (b) below shall be exempt from the French taxes mentioned in paragraph 3 of Article II while the income is, under the Convention, taxable in Canada;