

In Witness Whereof the undersigned, duly authorized to that effect, have signed this Convention.

Done in duplicate at Colombo on the 15th day of June, 1982 in the French, English and Sinhala languages, all three texts being equally authentic.

PROTOCOL

At the moment of signing the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, this day concluded between the Democratic Socialist Republic of Sri Lanka and Canada, the undersigned have agreed upon the following provisions which shall be an integral part of the Convention.

- I. With reference to Article 8, paragraph 2, it is understood that if after the date of signature of this Convention, Sri Lanka were to sign a Convention, an Agreement, or a Protocol with a third State, the effect of which would be that the taxation of shipping income derived by an enterprise of that third State from the operation of ships in international traffic is less burdensome than the taxation of shipping income provided for in this Convention, the representatives of the two Contracting States will consult to determine whether the provisions of Article 8 of this Convention should be amended, having regard to the other provisions of that Convention, Agreement or Protocol concerning shipping income.
- II. With respect to Article 10, sub-paragraph 2 (b), it is understood that the rate of tax referred to therein shall apply to dividends paid by a company resident in Sri Lanka to a resident of Canada in respect of:
 - (a) the shares acquired by that resident out of the capital or surpluses of a company which is a resident of Sri Lanka; provided, however, that such shares issued out of these capital or surpluses have already been subject to tax as though they were dividends; and
 - (b) the shares acquired by that resident as a result of a takeover by such resident of a company resident in Sri Lanka; provided, however, that such takeover results in a net flow of capital to Sri Lanka.