

INTERPRETATIVE PROTOCOL

At the signing of the Protocol amending the *Convention between the Government of Canada and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains*, signed at London on 8 September 1978, as amended by the Protocol signed at Ottawa on 15 April 1980, by the Protocol signed at London on 16 October 1985 and by the Protocol signed at London on 7 May 2003 (hereinafter referred to as the "Convention"), the undersigned have agreed upon the following provisions which shall form an integral part of the Convention:

1. In relation to the application of the Convention to United Kingdom Limited Liability Partnerships:

It is understood that for the purpose of providing benefits under the Convention in respect of income or gains derived by or through a Limited Liability Partnership which is established under the laws of the United Kingdom, has its place of effective management in the United Kingdom, and is treated as fiscally transparent under the tax laws of the United Kingdom, the income or gains shall be considered to be income or gains of the members of the Limited Liability Partnership, but only to the extent that the income or gains are treated, for purposes of taxation by the United Kingdom, as the income or gains of a resident of the United Kingdom. In no case shall the provisions of this paragraph be construed so as to restrict in any way a Contracting State's right to tax the residents of that State. The competent authorities of the Contracting States may consult to determine the application of this paragraph.

2. In relation to paragraph 1 of Article 4 of the Convention:

It is understood that the word "instrumentality" includes a person that is wholly owned, directly or indirectly, by a Contracting State or a political subdivision or local authority of a Contracting State.

3. For the purposes of paragraph 3(c) of Article 11 of the Convention, it is understood that:

- (a) in the case of Canada, whether persons are considered to be dealing at arm's length with each other, or not, is determined by subsection 251(1) of the *Income Tax Act*;
- (b) in the case of the United Kingdom, persons are considered not to be dealing at arm's length where:
 - (i) one person is treated as having control of another person as defined in section 450 or section 1124 of *Corporation Tax Act 2010*;