

ARTICLE 23**V. Methods for Prevention of Double Taxation****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 of relief is provided under the laws of Canada, tax payable in Luxembourg on profits, income or gains arising in Luxembourg shall be deducted from any Canadian tax payable in respect of such profits, income or gains;
 - (b) where, in accordance with any provision of the Convention, income derived or capital owned by a resident of Canada is exempt from tax in Canada, Canada may nevertheless, in calculating the amount of tax on other income or capital, take into account the exempted income or capital.
2. In the case of Luxembourg, double taxation shall be avoided as follows:
 - (a) where a resident of Luxembourg derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Canada, Luxembourg shall, subject to the provisions of subparagraph (b), exempt such income or capital from tax, but may, in calculating the amount of tax on the remaining income or capital of such resident, apply the rate of tax which would have been applicable if the exempted income or capital had not been so exempted;
 - (b) where a resident of Luxembourg derives income which, in accordance with the provisions of Articles 10, 11, 12, 13 paragraphs 4 and 7, 18 and 21, may be taxed in Canada, Luxembourg shall allow as a deduction from the tax on the income of that resident an amount equal to the tax paid in Canada. Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income derived from Canada;
 - (c) notwithstanding subparagraph (b), dividends distributed by a company resident in Canada, and subject in that State to the corporation tax, to a company resident in Luxembourg which has directly controlled at least 10 per cent of the capital of the first-mentioned company since the beginning of its fiscal year shall be subject to the tax treatment provided for under subparagraph (a). The shares in the Canadian company referred to above shall, under the same conditions, be exempt from the Luxembourg capital tax.
3. For the purposes of this Article, profits, income or gains of a resident of a Contracting State shall be deemed to arise from sources in the other Contracting State if they may be taxed in that other Contracting State in accordance with this Convention.