

and agreed to by the competent authorities shall be taxable only in Pakistan;

- (e) the State Bank of Pakistan shall be exempt from the Canadian tax with respect to interest arising in Canada;
- (f) the Bank of Canada shall be exempt from Pakistan tax with respect to interest arising in Pakistan.

ARTICLE XII

Royalties

1. The rate of Pakistan tax on royalties arising in Pakistan and paid to a resident of Canada shall not exceed 20 per cent of the gross amount of royalties as defined in paragraph 4(a) and 15 per cent of the gross amount of royalties as defined in paragraph 4(b).

2. The rate of Canadian tax on royalties arising in Canada and paid to a resident of Pakistan who is subject to tax in respect thereof shall not exceed 15 per cent of the gross amount of the royalties.

3. Notwithstanding the provisions of paragraphs 1 and 2, copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television) arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax thereon shall be taxable only in that other State.

4. The term "royalties" as used in this Article means:

- (a) payments of any kind received as a consideration for the use of, or the right to use, any copyright, patent, trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment and includes payments of any kind in respect of motion picture films and works on film or videotape for use in connection with television;
- (b) payments received as consideration for technical know how or information concerning industrial, commercial or scientific experience.

5. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise a permanent establishment or a fixed base and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article VII or Article XIV, as the case may be, shall apply.

6. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the