

5. Where a company which is a resident of a Contracting State, derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

6. Notwithstanding any provision of this Convention a company which is a resident of Italy and which has a permanent establishment in Canada shall, in accordance with the provisions of Canadian law, remain subject to the additional tax on companies other than Canadian corporations, but the rate of such tax shall not exceed 15 per cent and the taxable base for such tax shall not include profits attributable to a permanent establishment in Canada of a company which is a resident of Italy earned in a year during which the business of the company was not carried on principally in Canada.

## ARTICLE XI

### *Interest*

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may be taxed in the Contracting State in which it arises, and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 15 per cent of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. Notwithstanding the provisions of paragraph 2, interest arising in one of the Contracting States shall not be taxable in that State if:

- (a) the payer of the interest is that Contracting State or a political or administrative subdivision or local authority thereof; or
- (b) the interest is paid to the other Contracting State or a political or administrative subdivision or local authority thereof or to an institution or organization (including financial institutions) wholly owned by that Contracting State or subdivision or authority thereof; or
- (c) the interest is paid in respect of a loan made, guaranteed or insured, or a credit extended, guaranteed or insured by any institution specified and agreed in letters exchanged between the competent authorities of the Contracting States.

4. The term "interest" as used in this Article means income from government securities, from bonds or debentures, whether or not secured by mortgages and whether or not carrying a right to participate in profits, and from debt-claims of every kind as well as other income assimilated to income from money lent by the taxation laws of the State in which the income arises. However, the term "interest" does not include income dealt with in Article X.