

company paying the dividends and if the profits out of which the dividends are paid are derived from carrying on an active business in Brazil or in a country with which Canada has concluded a double taxation convention; for the purposes of this provision, any income from sources in a country other than Canada which pertains to or is incident to an active business carried on in a country other than Canada, shall be deemed to be profits derived from carrying on an active business.

5. Where a company which is a resident of Canada derives dividends, other than those mentioned in paragraph 4, from a company which is a resident of Brazil in which it holds an equity percentage of at least 10 per cent and those dividends may be taxed in Brazil, in accordance with this Convention, Canada shall allow as a deduction from the tax on the income of the first-mentioned company an amount equal to the income tax paid in Brazil and shall allow relief in respect of the Brazilian corporation tax paid on the profits out of which the dividends are paid; the deduction shall not, however, exceed that part of the Canadian income tax as computed before the deduction is given, which is appropriate to the dividends.

For the deduction mentioned in this paragraph, Brazilian tax on dividends shall always be considered as having been paid at the rate of 25 per cent of the gross amount of the dividends.

6. The value of the shares issued by a corporation of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subject to income tax in the last-mentioned State.

7. The provisions of paragraphs 2 and 3 shall apply for the determination of the profits of a permanent establishment situated in Canada of a bank which is a resident of Brazil.

## ARTICLE XXIII

### *Non-Discrimination*

1. The nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.