

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if a resident of the other Contracting State is the beneficial owner of the interest the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraphs 1 and 2,

- (a) interest arising in Latvia shall be taxable only in Canada if the interest is paid to:
 - (i) the Government of Canada or a political subdivision or a local authority thereof;
 - (ii) the Bank of Canada; or
 - (iii) the Export Development Corporation;
- (b) interest arising in Canada shall be taxable only in Latvia if the interest is paid to:
 - (i) the Government of Latvia or a local authority thereof;
 - (ii) the Bank of Latvia; or
 - (iii) any organisation established in Latvia after the date of signature of this of this Convention and which is of a similar nature as the Export Development Corporation (the competent authorities of the Contracting States shall by mutual agreement determine whether such organisations are of a similar nature);
- (c) interest arising in a Contracting State on a loan guaranteed or insured by any of the bodies mentioned or referred to in subparagraph (a) or (b) and paid to a resident of the other Contracting State shall be taxable only in that other State;
- (d) interest arising in a Contracting State shall be taxable only in the other Contracting State if:
 - (i) the recipient is an enterprise of that other State and is the beneficial owner of the interest; and
 - (ii) the interest is paid with respect to indebtedness arising on the sale on credit, by that enterprise, of any merchandise or industrial, commercial or scientific equipment to an enterprise of the first-mentioned State, except where the sale or indebtedness is between related persons;
- (e) interest arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner thereof shall be taxable only in the other State to the extent that such interest is a penalty charge for late payment.

4. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income which is subjected to the same taxation treatment as income from money lent by the laws of the Contracting State in which the income arises. However, the term "interest" does not include income dealt with in Article 10.